

**WESTERN CAPE
EXPENDITURE REVIEW**

2003

Working Paper

FOREWORD

The Expenditure Review 2003 is a further effort in improving expenditure management and assessing the qualitative performance of the Province as a whole, as well as the votes (provincial departments) individually, taking historical trends and sector specific issues into account and showing the implications for the Medium Term Expenditure Framework until 2005/06, based on current allocations. An attempt is also made to reflect on non-financial information in order to give the reader a better understanding of the performance of the Province and provincial departments.

The purpose with improving provincial expenditure management is in the main to endeavour the maximum well being of all the citizens of the Province by ensuring that expenditure are directed towards lower poverty levels, which is only possible via increased wage employment opportunities, which in turn is dependent on economic growth. This must be seen against the backdrop of the *iKapa elihlumayo* concept announced by the Premier in his speech at the opening of the 2003 Provincial Parliament and further emphasised in the Minister of Finance and Economic Development's 2003 Budget speech.

The Review contains a General Overview in which overall trends have been captured. The rest of the document consists of chapters discussing each vote (provincial department) individually.

The Review is intended to serve as a useful resource document for the various committees of the Provincial Parliament and contribute to public understanding and debate on provincial policy and expenditure plans.

I wish to thank the personnel of the Directorate Public Finance in the Provincial Treasury for the hard work that went into producing the publication, especially as this was done during a process of restructuring in the Provincial Treasury. Furthermore, I wish to thank the accounting officers of the various provincial departments and their personnel for so readily providing information and comments.

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GENERAL OVERVIEW

Expenditure quality and quantity

Introduction

This section aims to give a general overview of actual provincial expenditure from the 2000/01 to the 2002/03 financial year; budgeted expenditure in 2003/04 and MTEF allocations for 2004/05 and 2005/06. Since the 2003/04 to 2005/06 figures are based on the Provincial Budget 2003 they exclude any subsequent adjustments, which may still arise.

With this Overview the Provincial Treasury wishes to provide fiscal direction and fiscal discipline, not only by ensuring that provincial departments remain within budget, but also ensure that funds are actually spent on the purposes for which they have been appropriated. The funds should thus be spent **efficiently** and directed towards meeting government priorities.

Efficiency means achieving maximum output from a given level of resources¹ used to carry out an activity. The relationship between the output, in terms of goods, services or other results, and the resources used to produce them.

Efficiency is the ratio of output to input. The higher the ratio, the better is the efficiency. Efficiency as a principle means that management should strive to improve the ratios and maintain them at high levels. It requires that processes should compare favourably with others in the utilisation of resources. This kind of efficiency is known as *X-efficiency* among economists. The other kind of efficiency they talk about is *allocative efficiency*.

Spending trends/allocations expenditure in the social sector (Education, Health and Social Service and Poverty Alleviation) in comparison with the balance of provincial spending, spending on personnel compared to other expenditure; and capital expenditure in relation to other expenditure, will be assessed to try and derive an efficiency quotient. Furthermore, factors such as overspending in relation to underspending, other non-financial information regarding the delivery of services as an indication of outputs and outcomes will also be analysed.

Although this review is not very strong on efficiency analysis as yet, it is foreseen that in future it will evolve to increasingly focus on service delivery performance as well as efficiency of spending.

¹ Source: www.oecd.org/puma/sigmaweb/acts/audit/a_fc terminology

Inflation assumptions

It is often the case that inputs are defined in monetary terms, whereas outputs are likely to be defined in physical terms. When dealing with monetary units it is important to isolate the impact of inflation. To facilitate comparison across financial years, the inflation figures provided in Table 1 below² have been utilised to convert current (nominal) to constant (real) prices. Real figures, where indicated as such, in this overview are reflected in 2000/01 values.

Table 1: Inflation Figures 2001/02 to 2005/06

Financial year	01/02	02/03	03/04	04/05	05/06
CPI-X	6.61%	10.91%	6.07%	5.15%	5.15%

Home language

The Western Cape is still predominantly Afrikaans speaking, with 55.3% indicating Afrikaans as their home language in Census 2001³. English is the home language of 19.3% of the Western Cape population, while 23.7% of the population is isiXhosa speaking. The Census data confirms the importance of all three official languages being used in official documentation.

Schooling

The level of education, in as far as it determines a persons suitability for the job market, plays a determining role in the three key macro/socio-economic variables of per capita income, inequalities and employment.

Amongst those aged 20 and older, less than a quarter (23.4%⁴) passed grade 12/Std 10, while 28.8% have only a primary school education or less. Although this is significantly better than the figure for South Africa as a whole (40.3% with a primary school education or less), it is still not on par with the rest of the developed world.

To add to the aforementioned, not all qualifications match the requirements of the job market. Better and suitable qualifications are essential to ensure achievement of the main motivation behind the *iKapa elihlumayo* concept, namely the narrowing of the income differential and lowering poverty levels via increased wage employment opportunities and increased economic activity.

Unemployment and the labour market

There is a definite correlation between the level of schooling and the employment figures. In terms of the official definition⁵ of unemployment, 48.5% of the Western Cape

² Figures as at 2002/03 budget compilation stage, i.e. February 2002.

2003/04 to 2005/06 figures as per Western Cape Budget 2003, Page 4

³ Census 2001, Census in Brief, Table 2.6

⁴ Census 2001, Census in Brief, Table 2.23

⁵ The unemployed are those people within the economically active population who (a) did not work in the seven days prior to census night, (b) wanted to work and were available to start work within a week of census night, and (c) had taken active steps to look for work or to start some form of self employment in the four weeks prior to census night.

population are employed (39.6% for country as a whole), 34.4% are not economically active and 17.1% are unemployed (24% for the country as a whole).

Regions/borders, boundaries (alignment between departments/local governments)

Three different categories of municipalities were established in terms of the Constitution, 1996 (Act 108 of 1996) and the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998):

Category A: A metropolitan municipality that has exclusive executive and legislative authority in its area.

Category B: A local municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls.

Category C: A district municipality that has municipal executive and legislative authority in an area that includes more than one municipality.

The Western Cape Province is subdivided into one metro (Category A), 24 local municipalities (Category B) and five district municipalities (Category C). Thus in total 30 municipalities. The Western Cape Province cover as land area of 129 370 square kilometres of the 1 219 000 square kilometres of South Africa.⁶

Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP)

In order to ensure that available resources are optimally utilised towards the promotion of sustainable economic and social development, with the focus on sustainable service delivery, national, provincial and municipal planning and budgeting processes must be integrated and aligned.

In his State of the Nation Address the President confirmed the determination to push back the frontiers of poverty and underdevelopment. This determination finds expression in a number of programmes; of prominence amongst these are the Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP).

In the Western Cape Province, the Central Karoo (Beaufort West) has been identified as a rural node while the suburbs Khayelitsha and Mitchell's Plain have been identified as pilot areas for the Urban Renewal node.

The two programmes are conceived as ten-year initiatives within the context of Integrated Development Plans (IDPs) of the municipalities concerned. In addition these projects must fit into the Growth and Development Strategy (*iKapa elihlumayo*) of the Province. The synchronisation between local anchor projects, municipal IDPs and

⁶ Census 2001, Census in Brief, Table 2.6

provincial development strategies is an indispensable condition for the sustainability of the two programmes.

It appears as if most provincial departments mainly disregard the planning processes of municipalities to the extent that very limited consultation takes place with municipalities on local development issues. It is envisaged that provincial departments through their policy choices and priorities should plan and budget to support local government development policies. Departments are investing financial and management resources to support the nodes on an on-going basis. Some participating departments have refocused their budgets through their projects and programmes. This support amounts to millions of rands in the support of these nodes.

Spatial development within the provincial government is the responsibility of the Department of Environment and Development Planning and should also be aligned with IDPs of municipalities.

Overall expenditure and budget trends

The trend comparison in Table 1 shows the expenditure performance of the Province over the last 3 financial years, the budget for the current financial year (2003/04) and the subsequent MTEF years.

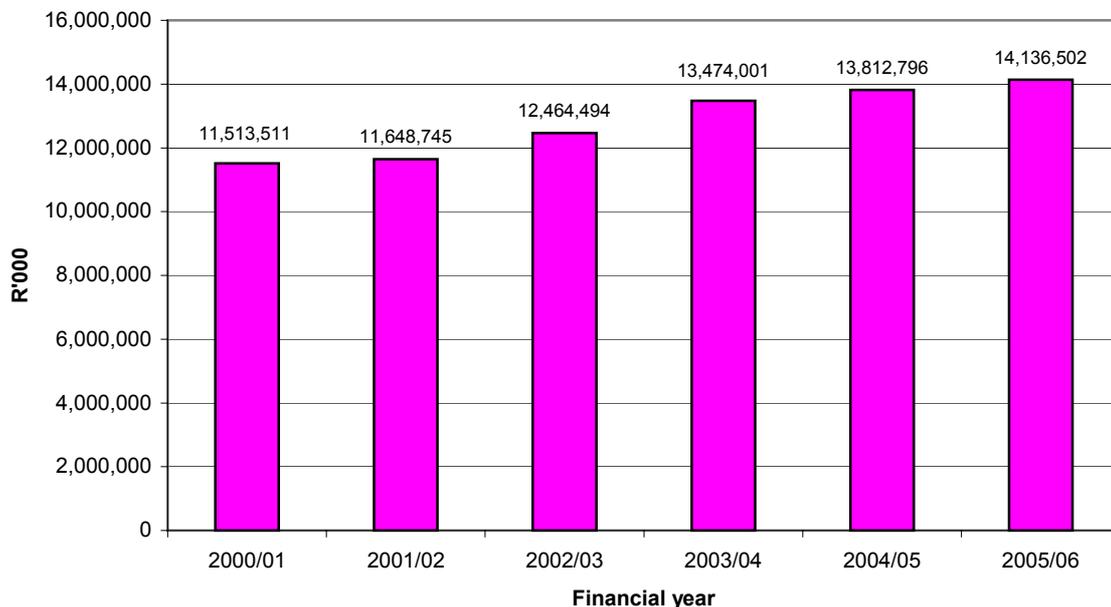
Table 1: The Province's expenditure for 2000/01 to 2002/03 financial years and budgeted allocations for 2003/04 to 2005/06 are reflected.

Votes	Actual	Actual	Actual	Budget	% Variance (Real)	MTEF	MTEF
	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000		2004/05 R'000	2005/06 R'000
Provincial Administration: Western Cape	202 127	280 483	335 762	307 640	(13.62)	312 233	309 298
Provincial Parliament (inclusive of Statutory)	33 289	30 557	35 227	43 260	15.78	46 293	49 556
Provincial Treasury	37 256	48 464	56 267	200 294	235.61	145 661	495 510
Community Safety	50 949	97 130	118 751	140 443	11.50	147 406	155 624
Education	4 023 495	4 333 689	4 632 111	5 131 080	4.44	5 452 094	5 675 598
Health	3 451 309	3 706 284	3 875 562	4 430 296	7.78	4 652 638	4 840 705
Social Services and Poverty Alleviation	2 212 643	2 388 856	3 138 474	3 772 957	13.34	4 328 386	4 736 820
Housing	391 361	382 046	435 216	519 530	12.55	547 020	575 864
Environmental Affairs and Development Planning	79 313	92 660	144 510	122 682	(19.96)	129 335	135 714
Transport and Public Works	804 727	870 799	1 327 326	1 294 555	(8.05)	1 394 425	1 529 161
Agriculture	93 642	114 357	122 401	169 097	30.25	198 046	207 817
Local Government	19 958	29 579	47 338	63 853	27.17	63 701	46 718
Economic Development and Tourism	30 369	52 233	146 850	80 724	(48.17)	61 642	64 746
Cultural Affairs and Sport	83 073	89 859	84 437	137 401	53.42	143 817	150 769
Contingency Reserve				26 639			
Total	11 513 511	12 516 996	14 500 232	16 440 451	6.90	17 622 697	18 973 900

Votes	Actual	Actual	Actual	Budget	% Variance (Real)	MTEF	MTEF
	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000		2004/05 R'000	2005/06 R'000
Current	10 575 995	11 371 116	13 070 462	15 013 552	8.30	16 122 203	17 365 072
Personnel expenditure	6 157 481	6 538 857	7 017 430	7 800 441	4.80	8 323 731	8 675 786
Transfer payments (Cur)	2 706 898	2 936 447	3 692 783	4 234 443	8.11	4 814 463	5 218 480
Other current expenditure	1 711 616	1 895 812	2 360 249	2 978 668	18.98	2 984 009	3 470 806
Capital	937 516	1 145 880	1 429 770	1 426 899	(5.91)	1 500 494	1 608 828
Transfer payments (Cap)	385 692	393 345	584 164	557 039	(10.10)	559 262	597 176
Other capital expenditure	551 824	752 535	845 606	869 860	(3.01)	941 232	1 011 652
Total	11 513 511	12 516 996	14 500 232	16 440 451	6.90	17 622 697	18 973 900
Year-on-year increases		1 003 485	1 983 236	1 940 219		1 182 246	1 351 203
Nominal Growth %		8.72	15.84	13.38		7.19	7.67
Real Growth %		1.98	4.45	6.90		2.03	2.40
Average annual nominal growth % (2000/01 – 2003/04)				12.61			
Average annual nominal growth % (2003/04 – 2005/06)							7.43
Average annual real growth % (2000/01 – 2003/04)				5.38			
Average annual real growth % (2003/04 – 2005/06)							2.42

The average annual nominal expenditure growth rate for the period 2001/02 to 2003/04 is 12.61% whereas in real terms it is 5.38%. The average annual nominal growth rate for the period 2003/04 is an increase of 7.43% whereas in real terms it is 2.42%.

Figure 1: Expenditure level (up to 2002/03) and Budget 2003 allocations (2003/04 to 2005/06) (2000/01 Rand value)



As can be seen from Figure 1 above, the provincial expenditure envelope increased in real terms from the level of R11,513 billion in 2000/01 to R14,137 billion in 2005/06. This is mainly due to additional funding made available to the Province from the national fiscus and increased own Provincial revenue (mainly gambling and motor licence fees).

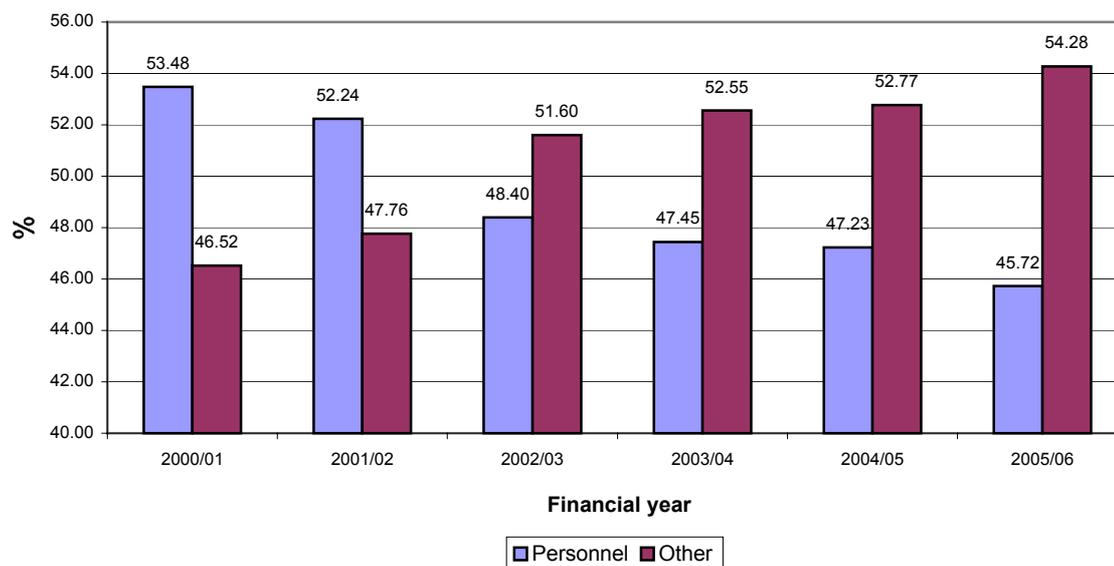
Furthermore, capital accumulation totalling R737,152 million (nominal terms), allocated from reserves over the 2000/01 to 2005/06 period, also contributes to this increase. The increase in the funding made available from the national fiscus is mainly to cater for increases in the number of beneficiaries receiving the social security grant and the introduction of a Provincial infrastructure grant. It is furthermore important to note that the amounts voted for 2002/03 and the amounts indicated for 2003/04 and 2004/05 include R299,543 million, R166,659 million and R132,905 million respectively (in nominal terms) set aside for boosting infrastructure spending and financed from systematically accumulated cash reserves.

The combination of the final phasing-in of the equitable share formula in 2003/04 and the sharp rise in social security expenditures (substantially overshooting the nationally set targets), left the provincial government with no choice but to reduce the provision for growth in allocations to other services/functions. In addition, the current equitable share formula makes no provision for the non-ICS (improvement of conditions of service) component of personnel costs (medical aid contributions, housing allowance, etc.), which added further pressure in the more personnel-intensive departments such as education and to the provincial budget as a whole. From the aforementioned it is clear that the Province needs to be conservative in budgeting, despite the ever-increasing number of clients, especially in the social sector.

Although it might appear from the figures in the Table 1 and Figure 1 above that the Province is in a favourable position to increase its level of services to the community it serves, one needs to take into account as mentioned above that some of the funding (R737,152 million) comes from reserves, which is not a sustainable source and secondly the population growth of the Province which average about 3% between the 1996 and 2001, according the 2001 Census.

Personnel *vis-à-vis* Other (All Other Expenditure excluding Personnel Expenditure)

Figure 2: Percentage of Personnel Expenditure *vis-à-vis* Other



There are 14,86 provincial public servants per 1 000 of the population in the Western Cape. The average for country is approximately 15,6 provincial public servants per 1 000 of the population. The population of South Africa is 44 819 778 and that of the Western Cape 4 524 335⁷.

Many of the key services delivered by the Provincial Government, such as Education and Health, are labour intensive. Personnel expenditure in Health consumed 62% of the 2002/03 Health budget (63% in 2001/02), whereas in the case of Education this figure was 85,5% (87% in 2001/02). Overall personnel expenditure consumed 48,40% of the total Provincial budget in the 2002/03 financial year. This compares favourably with the 53,48% spent on personnel in 2000/01 and 52,24% in 2001/02.

The sharp decrease in the portion of personnel expenditure of the total is mainly due to the sharp increase on social security and some recovery on infrastructure spending. From a provincial perspective it is difficult to manage down personnel expenditure, due to the fact that ICS (salary increases) are negotiated nationally. Even though general salary increases have been in line with inflation, rank and leg promotions, the increasing cost of medical aid, general promotions and general wage drift have resulted in rising unit labour costs.⁸

In 2002, Government and labour unions signed a restructuring agreement (Resolution 7 of 2002) focusing on redeployment and retraining, paving the way for retrenchments where necessary.

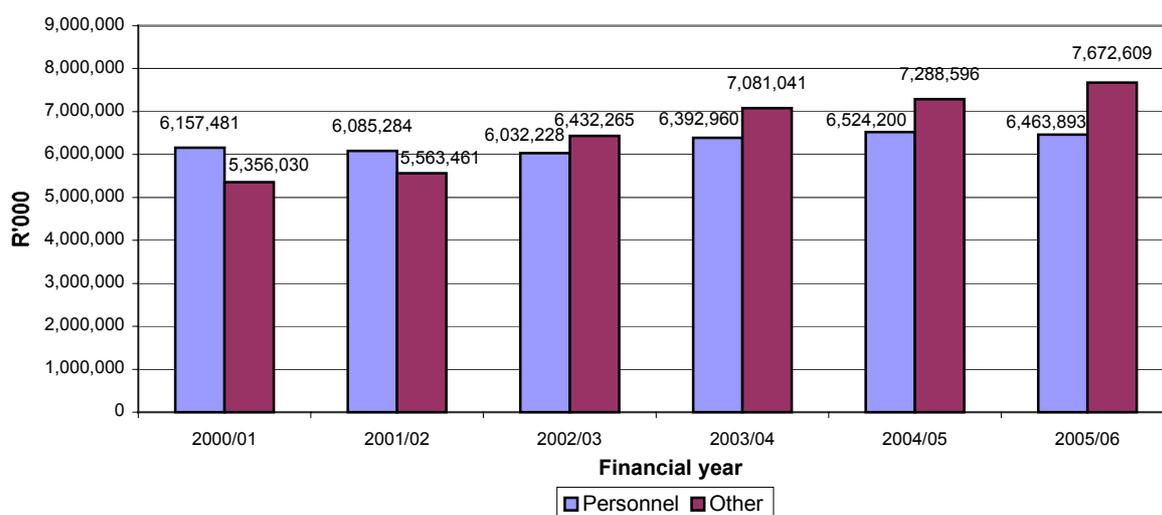
To date this resolution has not resulted in a significant number of people being redeployed or retrenched. The resolution was to be terminated in June 2003 but

⁷ Census in brief (Table 2.1 page 6)

⁸ Intergovernmental Fiscal Review (IGFR) 2003 page 188

extension has been granted until September 2003, with a further grace period until June 2004 for those in excess to leave the public service.

Figure 3: Personnel *vis-à-vis* Other (2000/01 Rand value)



In real terms (2000/01 – rand value) the Province spent R6,157 billion on personnel in 2000/01 compared with ± R6,032 billion in 2002/03. This was achieved by reducing the number of personnel employed from 68 253 in April 2000 to 67 410 in April 2003. The average cost in real (2000/01 Rand value) terms per incumbent as measured in terms of total personnel expenditure increased from R90 215 to R94 837 (based on the personnel expenditure provision in 2003/04) over the same period.

The challenge to the Provincial Government is to build capacity and to prevent further loss of expertise to ensure effective service delivery. The emphasis should be to employ personnel with the required skills and competency and to build the required skills and competency within the existing staff complement who may be more amenable to transformation to enable the Provincial Government to cater for challenges in the public sector in the 21st century.

Research has to assess what the optimal personnel complement should be and what the composition of such a workforce should be to ensure optimal service delivery within the available means.

HIV/Aids

A further challenge facing the Provincial Government will be to deal effectively with the impact of HIV/Aids on its employees. Little information on the prevalence of HIV/Aids amongst provincial employees is available. This suggests that further research will be required in order to properly manage the possible impact of HIV/ Aids on provincial service delivery as well as the cost thereof. It is generally understood that the age group

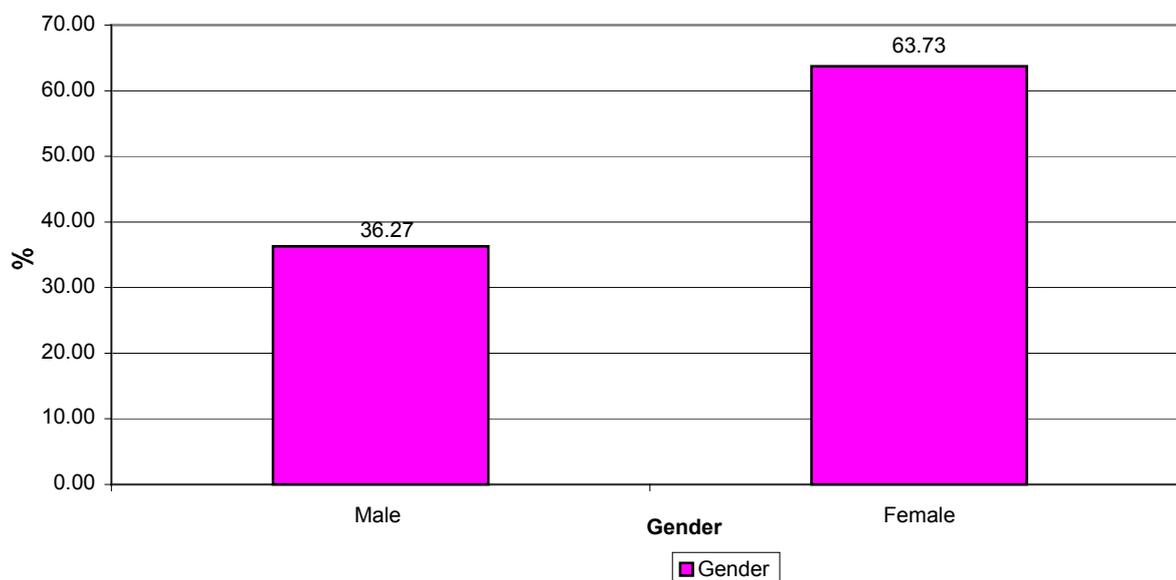
most susceptible to the virus is the group aged 19 – 49. Approximately 70% of the Province’s employees fall into this age interval, making it a highly vulnerable organisation.

To emphasise the commitment to its employees, in collaboration with organised labour, the Province developed and signed a Policy Framework on HIV/Aids in the workplace. Arising from this agreement, an organisation and establishment investigation was recently conducted to ensure that the Province has a dedicated human resource capacity for the development, implementation and monitoring of a HIV/Aids workplace policy and programme for the organisation and its employees.

Another challenge would be to keep the expenditure on personnel within reasonable limits to allow room for spending on other categories such as learner support material, roads, etc. The challenge is also to define such a balance, as some provincial services such as Education and Health can only be delivered in a labour-intensive manner.

Gender comparison

Figure 4: Percentage female vis-à-vis male

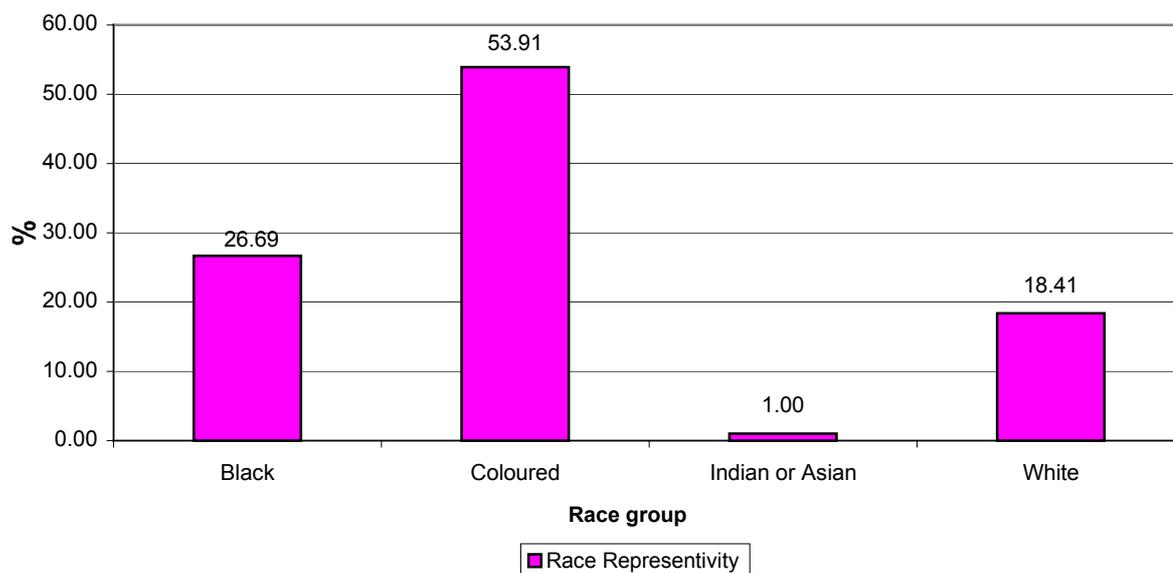


Contrary to the generally accepted perception that the Western Cape Government has a male-dominated staff component, the above statistics clearly indicate the opposite, with females comprising 63.73% and male 36.27% of the workforce. Given the total population of the Province (female at 51.5%, male at 48.5%)⁹, the female gender appears to be relatively over represented, albeit concentrated at lower salary levels. The nature of the work, in the Province’s case mainly the social sector, also impacts on the composition of the workforce.

⁹ Census in Brief, Table 2.2 (2001) - WC male 2 192 321 (SA 21 434 040), female 2 332 014 (SA 23 385 737)

Representivity comparison

Figure 5: Race/Representivity of the Province



If the distribution per various levels is disregarded, the Western Cape Government has a preponderance of coloured persons in its employ. This is clearly illustrated when comparing the percentages as in figure 5 above with the percentage per total population group in the Western Cape¹⁰.

Table 2: Percentage racial breakdown of provincial government employees *vis-à-vis* total provincial population

Race	Western Cape Government ¹¹		Province in total ¹²	
	%	Actual	%	Actual
Black	16	10 256	27	1 207 429
Coloured	62	42 323	54	2 438 976
Indian or Asian	1	428	1	45 030
White	21	14 239	18	832 901
TOTAL	100	67 246	100	4 524 336

It is significant that, comparing the 2001 Census to the 1996 Census, the Black population in the Western Cape increased from 21% to 27%, while the White population decreased from 21% to 18%. In the Western Cape Government, however, black people are still relatively under represented, coloureds are over represented, while the other race groups are more or less on target. To put the above in perspective, however, Table 3 below reflects the percentage representation per management level.

¹⁰ Census in Brief, SSA Report No. 1: 03-01-11 (1996)

¹¹ Vulindlela 28 August 2003

¹² Census 2001, Census in brief, Tables 2.3 and 2.4

Table 3: Representivity per management level¹³

Management level	Head count			Gender							
	Total	Female	Male	Female black	Female co-coloured	Female asian	Female white	Male black	Male co-coloured	Male asian	Male white
Political office bearers	12	3	9	1	2			1	5		3
Provincial Legislature (including members)	88	38	50	8	19	1	10	9	28		13
Director-General/Superintendent-General	8	1	7		1			1	2		4
Deputy Director-General	17	2	15				2		7	1	7
Chief Director	55	10	45	5	2		3	3	11	5	26
Director	191	31	160	1	8	1	21	8	47	6	99
Deputy Director	1 570	468	1 102	24	89	22	333	36	197	40	829
Assistant Director	2 050	824	1 226	55	174	43	552	52	330	58	786
Junior Management	7 012	4 608	2 404	538	2 648	40	1 382	219	1 340	33	812
Lower level supervision and PRD	56 558	37 132	19 426	6 023	24 170	121	6 818	3 521	13 274	66	2 565
Statutory officials	8	1	7	1					4		3
TOTAL	67 564	43 116	24 448	6 656	27 111	228	9 121	3 850	15 242	209	5 147
%	100	63,8	36,2	9,9	40,1	0,3	13,5	5,7	22,6	0,3	7,6

Table 3 it can be deduced that white males are still relatively over represented whereas white female representation at the higher management levels is close to optimal. There seems to be a slight decline in white female representivity (13.9% in previous year to 13.5%). Posts at the lower levels are mostly filled by coloured females. As much as the representivity is thus skewed in the higher ranks by the predominance of white males, the filling of lower-level positions by whites and middle- and top-level positions by blacks (the latter being the more urgent priority) is necessary to ensure overall employee representivity in the Western Cape Government.

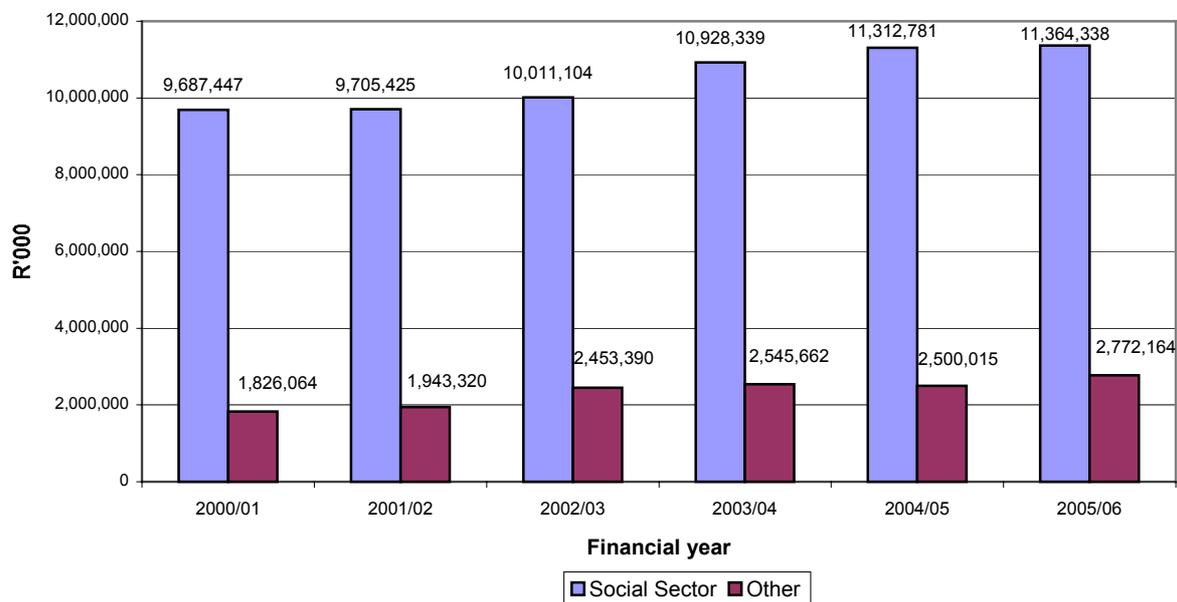
Compared to 2002 it is clear that, on the higher salary levels, shifts that did take place, were predominantly between white males (decrease) and coloured males (increase), while female representivity stayed more or less stagnant. The key problem appears to be in the middle management range (deputy director, assistant director), which should be the feeder source for the so-called higher levels.

¹³ Vulindlela 28 August 2003

Social Sector *vis-à-vis* Other

Trends in the Social Sector (Education, Health and Social Services and poverty alleviation)

Figure 6: Social Sector *vis-à-vis* Other (real 2000/01 rand values)



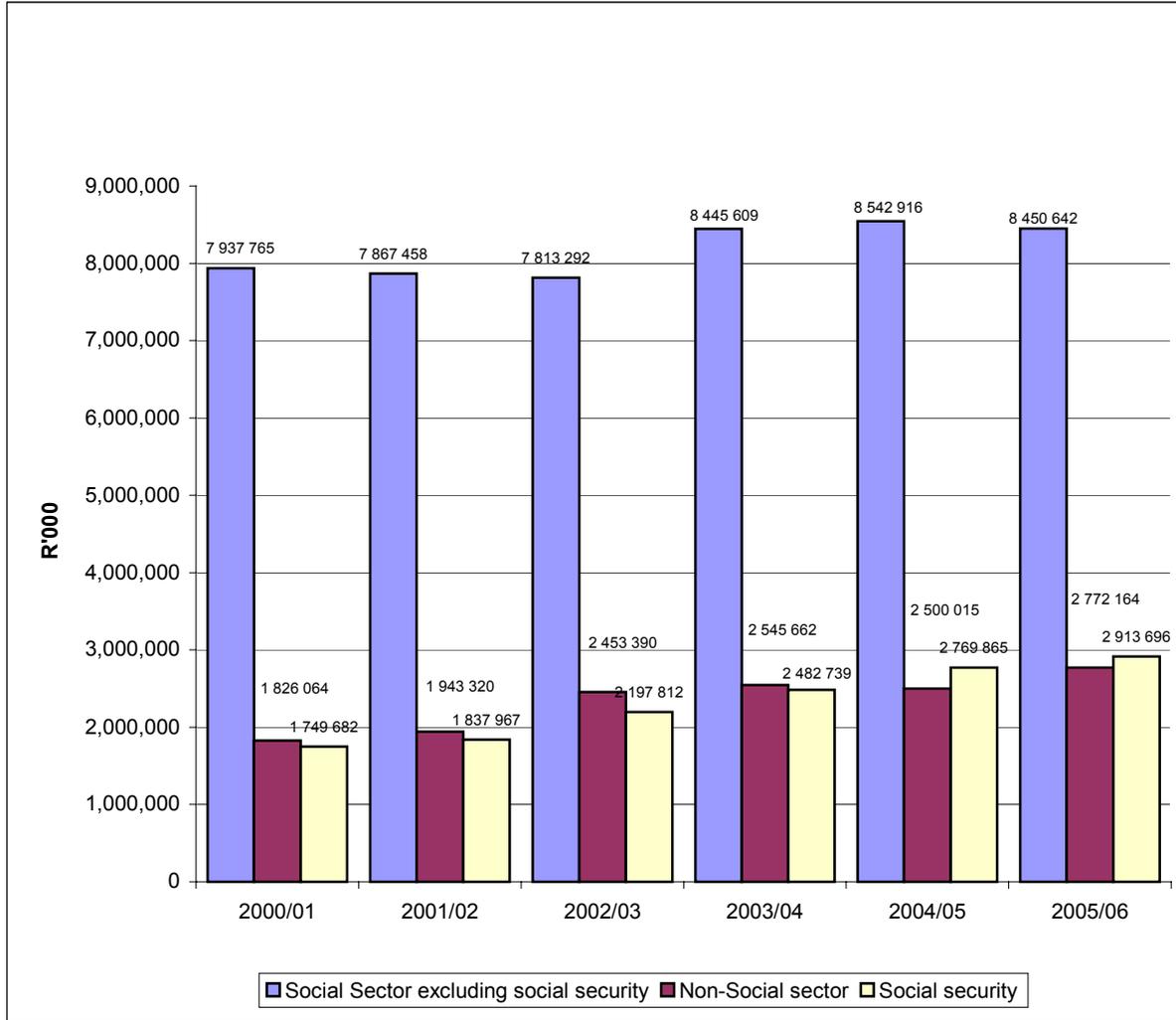
In nominal terms social sector expenditure over the period 2000/01 to 2005/06 has grown from R9,687 billion to R15,253 billion, which relates to a growth of 57,45% or an average of almost 11,5% per year. In real terms the expenditure increased from R9,687 billion to R11,364 billion over the same period. This relates to a increase of 17,31% in real terms over the same period. The biggest contributor to the growth in expenditure in this sector is the social services security grants.

The Social Sector¹⁴ budget (excluding Information Technology and Works), as a proportion of the Provincial budget, has declined from 84.14% in 2000/02 to 80.39% in 2004/05. Consequently the expenditure on the remainder of the Provincial budget increased from 15.86% to 19.61% over the same period. Remembered that part of the increase in the non-social sector relates to cash/reserve accumulation for upward infrastructure spending. Added to this is the reduction in the Tertiary Services Grant et al.

The improvement in the ratio to almost 80:20 (2002/03) between the Social Sector compared to other expenditure is under pressure. This pressure raises especially from Social security grant payments, the impact HIV/Aids might have on Health and Social services and the impact of the 8.5% ICS plus 1% notch increases. The issue regarding social security grants are discussed in more detail in Chapter 8.

¹⁴ The Social Sector refers to the departments of Health, Education and Social Security and Poverty Alleviation

Figure 7: Social Sector (excluding social security transfers), non-social sector and social security transfers



In Figure 7 above the social security is isolated from the social sector in order to get a better understanding on what the main driver in the increase expenditure is in the social sector. From Figure 7 it is clear that the social sector (excluding social security) remains almost constant in real terms. Only increasing from R7,938 billion in 2000/01 to R8,451 billion in 2005/06, while social security increases from R1,750 billion to R2,914 billion over the same period. Social security overtakes the non-social sector, as the non-social sector only increased from R1,826 billion to R2,772 billion over the same period.

From the aforementioned it is also clear that social security remains the main beneficiary from transfer payments as its share of transfer payments increased from 56,58% in 2000/01 to 67,25% by 2005/06. As the growth on social security remains strong, it might be required that the provision therefore be augmented which will even further increase its share of the transfer payments, of the social sector and in fact the Provincial budget.

The other main beneficiaries of transfer payments, quoted in nominal values, are the housing subsidy programme R423,282, local government R295,843 million, subsidies to schools R234,463 million and provincial public entities R103,800 million, as budgeted in 2003/04. Including the social security, the aforementioned amounts total R4,170 billion or 87,04% of the total budgeted amount (R4,791 billion) for transfer payments in 2003/04.

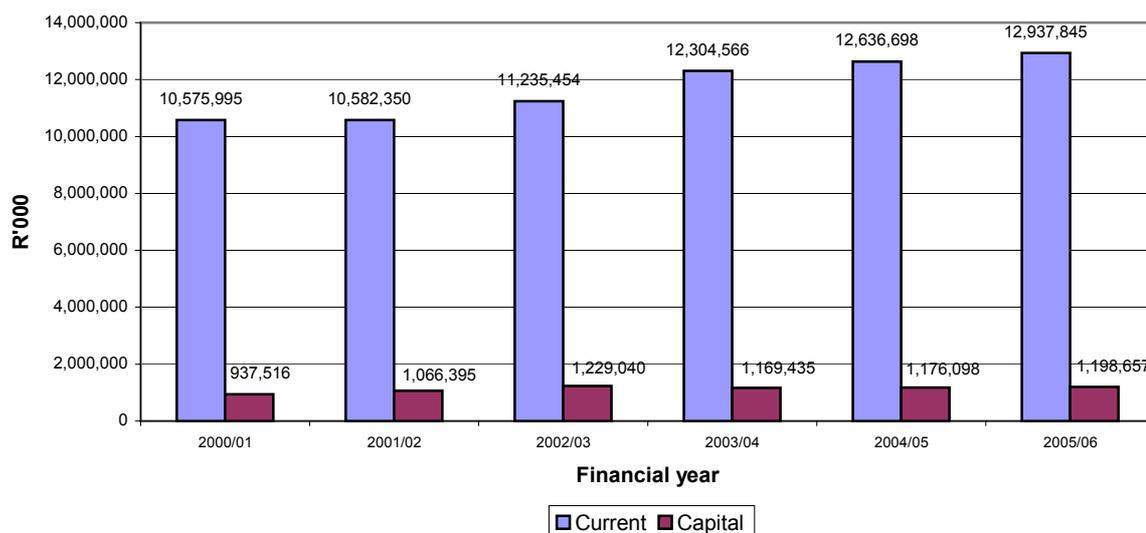
Trends in other expenditure

The other expenditure (excluding the social sector) will have increased in nominal terms from 1,826 billion in 2000/01 to R2,772 billion in 2005/06, which relates to a nominal growth of 51.8%.

This relates to a moderate growth in real terms over this period. The expenditure in the period 2001/02 to 2003/04, includes a contribution from the Province of R142 million towards the Cape Town International Convention Centre. The amounts were R15 million, R105 million and R22 million in 2001/02, 2002/03 and 2003/04 respectively.

Capital viz a viz Other

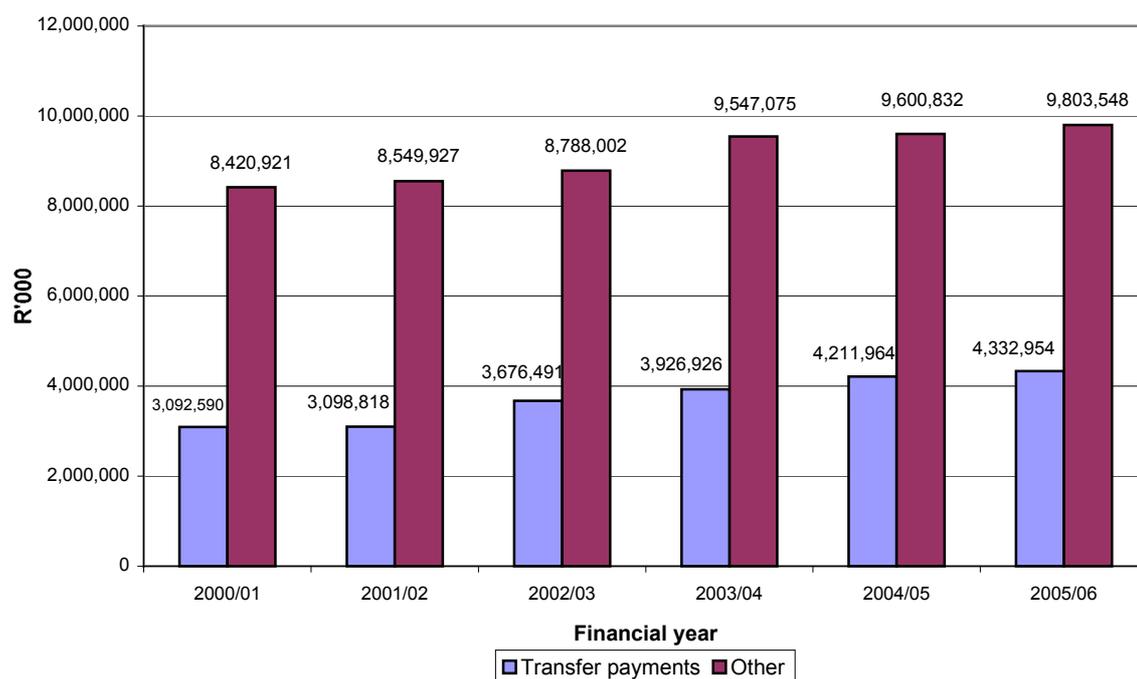
Figure 8: Capital viz a viz Other (real 2000/01 Rand values: R'000)



Capital expenditure increases from R937,517 million in 2000/01 to R1,609 billion in 2005/06 in nominal value. However, in real terms the increase is only from R937,577 million to R1,199 billion in 2000/01 Rand value. Given the major backlogs in buildings (classrooms, upgrading of hospitals, road infrastructure, housing, etc.), it is clear that with the current allocations the Province will not be able to address the need in infrastructure. Again the limited provision for capital is of the result of the crowding out-effect of the increases in the social security expenditure.

Transfer viz a viz other

Figure 8: Transfer viz a viz other (real 2000/01 Rand value: R'000)



Transfer payments increases in nominal terms from almost R3,093 billion in 2000/01 to almost R5,816 billion in 2005/06, which relates to an increase of 88.05% over this period. In real value (2000/01 Rand value) it is from R3,093 billion to R4,333 billion or 40.11%. This is almost exclusively due to increase in the number of social security beneficiary numbers and the result- increase in social security grant expenditure. The main cost drives in this is the growth in disabilities and child support grant numbers.

Over-/Underspensing

The Province has managed to turn around an over expenditure of R0,648 billion in 1997/98 to under expenditure of R0,409 billion in 2000/01, R0,338 billion in 2001/02 and R0,308 billion in 2002/03. However, underspensing in effect translates into less service delivery to the public than would have been possible if the full budget had been spent. To ensure that the public receives as many essential services as possible, be it better quality education or improved infrastructure, R0,101 billion of the 2002/03 underspensing was declared a compulsory saving and budgeted in the 2003 Budget for spending in the 2003/04 financial year.

Efficiency

Health

The expenditure per capita, excluding conditional grants, as a percentage difference from the national average indicates that the Western Cape have moved from a high of 21,3% above the national average in 2000/01 to 14,7% in 2002/03. This trend is set to continue, as indications are that this will even further decrease to 12,8% by 2005/06¹⁵. The aforementioned calculations are based on the 1996 Census figures. If the calculations are based on 2001 Census figures, than Province's per capita spending on health would be even closer to the national average. The number of personnel in the health sector also decreased from 26 576 in 1998/99 to 23 977 in 2003/04¹⁶. As the patient load appears to increase, the deduction can be made that Health and in particular their personnel have and is becoming more efficient.

Further important indicators of efficiency are the average length of stay (days) and bed occupancy (percentage). The average length of stay for district hospitals in the Western Cape are 2,6 days (the lowest in the country) while the average for the country is 4,2 days. The bed occupancy is at 65,0% (second highest) in the Western Cape while the average for the country is 57%¹⁷. From the aforementioned it appears as if the Health Department are reasonably efficient at district hospital level, however, it also indicates that there is room for improvement regarding the occupancy of district hospitals. It is the intention of Health Care 2010 to treat the patients at most appropriate level, which means that a greater percentage of patients should be treated at the lower end of the health service delivery chain.

Education

The Province's above average expenditure per learner compared to the rest of the country has decreased from 21,74% in 1999/00 to 14,52% in 2002/03¹⁸. The higher than average expenditure than the rest of the country can be contributed to, amongst other, high transportation cost of learners, hostel accommodation cost and the larger proportion of better-qualified educators. The percentage of the Department's total budget consisting of personnel expenditure has also decreased from 86.4% in 1999/00 to 83,8% in 2002/03¹⁹. This is a welcoming trend as it relieves funding for other expenditure such as learner support material. It seems as if this ratio is under pressure as personnel expenditure as a percentage of the total education budget is on the increase in the outer years (2004/05 and 2005/06) of the current Budget.

The ratio educator to administration personnel members seems out of proportion with the average for the country. In the case of the Education Department it related to 3.3 (third lowest of the provinces) educators per administration personnel member, while the average for the country was 5.7 in 2001. This figure slightly improved to 3.4 in 2002²⁰.

¹⁵ Intergovernmental Fiscal Review 2003 (Table 5.3 page 77)

¹⁶ Intergovernmental Fiscal Review 2003 (Table 5.5 page 79)

¹⁷ Intergovernmental Fiscal Review 2003 (Table 5.19 page 90)

¹⁸ Intergovernmental Fiscal Review 2003 (Table 4.4 page 54) and own calculations

¹⁹ Intergovernmental Fiscal Review 2003 (Table 4.6 page 57)

²⁰ Intergovernmental Fiscal Review 2003 (Table 4.10 page 62)

From the above it seems that some efficiency gains have been made by the Education Department, however, there is room for improvement in the ratio of educators to administrative personnel.

Social services and poverty alleviation

Social grants as a percentage of total social development expenditure reflects that in this Province it increased from 78,8% in 1999/00 to 84,4% in 2002/03²¹. This compares well with the national average that increased from 83,2% to 87,2 over the same period. This means that the Department has a greater percentage of their total budget available to deal with other welfare services than their provincial counter parts. The increase percentage of social grants compared to the total budget is due to the sharp growth in social grant beneficiary numbers from 248 015 in April 1998 to 501 126 in March 2003, while at a national level it grew from 2 429 653 to 5 617 151 over the same period²². The personnel expenditure for the Department only grew from R113 million in 1999/00 to R150 million in 2002/03²³, which means that the Department had to be more efficient. The cost to administer the grant in the Province is also the lowest of all the provinces at R16,73 (3rd party contractor). The national average is R24,28.

Efficiency Analysis

Future efficiency analysis would concentrate on three expenditure avenues namely, personnel, transfer payments and capital expenditure. The personnel efficiency analysis should interrogate the levels and categories of personnel, the hidden personnel costs, the driving forces and the human capital wealth. Transfer payments analysis on the other hand would focus on the verification of performance and recipient, the efficiency of alternative delivery systems, the issue of sidestepping accountability, as well as any hidden and distorted costs concerning transfer payments. The analysis on capital expenditure relates to fulfilling accommodation requirements, measuring the social and economic impact of expenditure, as well as whether allocative efficiency was achieved.

Observations

Allocative efficiency can be defined as the capacity to distribute resources on the basis of the effectiveness of public programmes in meeting government's strategic objectives²⁴. This definition allows the Treasury to determine its role with regard to the allocation or distribution of provincial resources between departments. The challenge thus facing the Treasury is to adequately develop its capacity to give effect to this definition.

From a generalised human capital argument it could be argued that, because of the loss of personnel in the Western Cape Government in previous years, the capacity is not what it used to be in previous years. Some provincial departments were restructured during the current financial year as part of the Public Service Coordinating Bargaining Council's (PSCBC) Resolution No. 7 of 2002 (the framework agreement for transformation and restructuring of the public service (utilisation of human resources)).

²¹ Intergovernmental Fiscal Review 2003 (Table 6.3 page 99)

²² Intergovernmental Fiscal Review 2003 (Table 6.7 page 104)

²³ Intergovernmental Fiscal Review 2003 (Table 6.9 page 106)

²⁴ Cf. Schick, A. *A Contemporary Approach to Public Expenditure Management*, World Bank Institute 1999, p89f.

The challenge now is to deepen the knowledge base without significantly increasing the number of personnel.

The improved ratio of personnel expenditure compared to other expenditure and social sector expenditure is under pressure because of the 8.5% ICS increases (effective from 1 July 2003). Added to this is the pay progression system also introduced from 1 July 2003, which amounts to approximately 1% of the wage bill.

The sharp increase in transfer payments as a result of the increase in social security expenditure is crowding out expenditure or other categories of provincial expenditure to such an extent that those services is deteriorating. Especially if the growth in the population in Western Cape and the growth in the demand of its services is taken into account.

Although there has been some recovery in capital spending, the current level would appear to be inadequate either to address the backlogs that have accumulated or even to preserve the current stock. A new approach to this dilemma might lie in analysing the value of provincial property stock more innovatively.

Provincial departments will have to work closely with the local government sphere and give their full co-operation with regard to the IDP process. In general it could be argued that there is an even greater need than before for interaction between the provincial departments to ensure efficiency gains. However, it is also acknowledged that such interaction is subject to constraints.

Cabinet committees and administrative clusters have been established at national and provincial level to enhance policy development and integrated planning. The establishment of similar structures in the Western Cape Provincial Government was necessary to bring the Province in line with developments (e.g. the planning framework for the Government of the Republic of South Africa) at national level. Three administrative clusters namely Social, Economic and Government and Administration, were created to, amongst other, ensure integrated planning and implementation to enhance service delivery. The cluster system also avoids unnecessary ad hoc committees.

To date the focus of the financial management system has been on producing financial information, but the emphasis is shifting to ensure that non-financial information is also made available, as without it pure financial information loses its context, adding little value on its own.

Conclusion

For the second year in a row the Minister of Finance and Economic Development, reiterated the importance of fiscal discipline. This especially in light of the Province's very tight budget. The Minister emphasised the need for goal-directedness in spending as a key component of fiscal discipline. Further that the *iKapa elihlumayo* drive should direct spending to desired outcomes and so positively impacting on socio-economic conditions. All Provincial role-players should thus be concentrating on achieving such fiscal discipline.

The country faces many challenges, but resources with which to achieve these challenges are limited. It is thus of the utmost importance that the government's resources be utilised in such a way that they provide maximum benefit. This implies that the budgets of the different spheres of government be co-ordinated and optimally integrated to ensure alignment with each others goals to eliminate duplication. It is thus foreseen that the President's Office, Premier's offices and the different treasuries will become progressively more involved in ensuring maximum synergy within and between spheres.

Infrastructure needs should be aligned and integrated with the provincial accommodation, strategic plan and budget of a department and should be based on technical, economic, socio-economic and demographic factors.

A lack of performance indicators (benchmarks) to measure performance against spending, (i.e. non-financial indicators) exists. Further work in this regard is essential in order to measure progress over time.

Departments should not enter into national policy agreements that could impact on the Provincial budget until the financial implications are spelt out and funding arrangements secured, because it often impacts negatively on provincial plans.

Increasingly the focus should be on service delivery performance as well as efficiency of spending.

Compiled by:

AV Bester
Public finance
Budget Co-ordinator
Provincial Treasury: Western Cape

Summary per vote

Provincial Administration: Western Cape (PAWC)

The PAWC's mission is the provision of strategic direction and management support to provincial line departments. It received 1.9% (R307,6 million) of the 2003/04 provincial budget, mainly to provide information technology and corporate services. Its capital budget was drastically decreased from the previous year's allocation, due to the decentralisation of information technology equipment procurement to provincial departments to strengthen accountability in asset management. The PAWC has a history of substantial underspending, far more than the provincial average, mostly due to information technology projects not proceeding as foreseen.

The Provincial Development Council receives 1.6% of the department's budget.

In the current financial year the internal audit function was shifted away from this department to the Provincial Treasury. Cabinet approved the integration of Knowledge Economy and E-governance with IT in this department.

Pressures indicated are the sharp increase in the State Information Technology Agency (SITA) fees, largely due to the increase in the transversal systems used by the Province. This increase puts tremendous pressure on other IT services and might lead to the cancellation of some projects due to non-affordability thereof.

Provincial Parliament

The Provincial Parliament's budget of R43,260 million is 0.18% of the provincial budget for 2003/04. The budget is mostly used to finance the secretariat, which renders support services to members of the Provincial Parliament.

Although the statutory appropriation is included under this vote, the allocation is a direct charge on the Provincial Revenue Fund for the remuneration of the members of the Provincial Parliament (excluding the Members of the Provincial Cabinet) and does not form part of the normal budget appropriations.

The Provincial Parliament will continue with initiatives to promote public involvement and awareness in the legislative processes of the legislature and its committees. Furthermore, although additional needs for parking and office accommodation exist, the Provincial Parliament indicated that the accommodation in the present building is sufficient, especially seen in view of the current upgrading thereof.

A challenge for the Provincial Parliament is that of autonomy, as the Parliament's treasury function is vested in the Speaker and not the Provincial Treasury. The effectiveness of initiatives launched by the Provincial Parliament should be monitored against the performance indicators.

Provincial Treasury

The Provincial treasury is fully funded by own revenue. Although the initial main budget allocation of R200,294 million to the Provincial Treasury constitutes 0.47% of the total provincial resource envelope in 2003/04, this includes an allocation of R77,654 million for *iKapa elihlumayo*, which has since been withheld in favour of the Department of Economic development and tourism (R45,2 million) and the Department of Education (R32,5 million), as well as R26,639 million for the contingency reserve to provide for unforeseeable and unavoidable expenditure within the Province. Indications are that R6,639 million will be shifted in the adjustments estimate to Vote 1: Provincial Administration: Western Cape and R20 million to Vote 10: Transport and public works for flood relieve.

An amount of R9,6 million was allocated to the Provincial Treasury for the establishment of internal audit units at Education and Health and the promotion of a similar unit at Social services and poverty alleviation. Provincial Treasury will be responsible for the shared audit function in the rest of the provincial departments.

Specific amounts have been allocated to this department for the implementation of BAS (user equipment and management) and LOGIS. An earmarked allocation for a litigation case regarding VAT on casino bid fees amounting to R10,419 million will be a compulsory saving at the end of the financial year, as the case has been withdrawn.

The reconstruction of the department's organisation and programmes, mandated by Resolution 7 of 2002, was finalised in 2003 and brings an entirely new approach to Treasury work to make way for Treasury's role of catalyst for change in the Province.

The Provincial Treasury provides financial assistance to the Western Cape Gambling and Racing Board. The Board's main function is to control all gambling, racing and activities incidental thereto in the Province.

Community safety

Community safety's mission is to promote safety and security through a process of civilian oversight, crime prevention strategies and effective traffic law enforcement and traffic safety education. The 2003/04 budget of R140,443 million constitutes 0.86% of the provincial budget. The department virtually spent its full budget in 2002/03 with a slight 0.17% underspending.

Personnel expenditure accounts to 51% of the department's 2003/04 budget. Although the department wants to create an additional 1 300 posts to man a 24 hour traffic service, this will be subject to the availability of additional funding. The department also needs to determine whether the return on the investment in this regard will be greater than the investment itself.

The Bambanani campaign to mobilise communities against crime is the flagship project of the department. Other important projects are the training of neighbourhood watches, as well as the Khayelitsha Safer Trains project.

It was decided to rationalise the number of training institutions in the department. To this effect the Gene Louw Traffic Training College is in the process of being amalgamated with the Philippi College.

A slight change in the focus of the department's objectives resulted in a slight change in priorities. This realignment of strategic objectives necessitated the internal shifting of funds.

Education

To enable it to fulfil its vision of providing effective education for all, 30.68% of the 2003/04 provincial budget was allocated to Education. Services are delivered under the supervision of seven Education Management Development Centres (EMDC's) at 1 459 public schools, as well as special schools and a further six education and training colleges, early childhood development (ECD) centres and adult basic education and training (ABET) centres across the Western Cape. The department also provides funds partly covering the daily expenses of 65 subsidised private schools, 944 pre-schools and 112 adult centres.

For optimal effectivity of education, a balance between expenditure on personnel and non-personnel is required. In this regard, the department is attempting to attain the correct personnel: non-personnel ratio of 85:15 by 2004/05.

It seems as if the dropping of the age admission policy did not affect the department to the extent expected. The matriculation pass rate has improved from 80.6% in 2000 to 85.6% in 2002.

Limited success is being achieved with the process of converting public schools into section 21 schools, which will allow the schools budgetary discretion in relation to their specific needs as well as greater in-year maneuverability.

Three national conditional grants are managed by the department, namely the Financial management and quality enhancement grant, the HIV/Aids grant and the Early childhood development (ECD) grant.

Education will take over responsibility for the primary school nutrition programme, funded by means of a national conditional grant, from Health as from 1 April 2004. The department also entered in an *iKapa elihlumayo* cooperation agreement with the Provincial Treasury on human resource development. For this purpose R32,5 million of the *iKapa elihlumayo* allocation was withheld from the Provincial Treasury and allocated to Education.

The national Minister of Education recently announced that at least 60% of pupils would obtain access to free basic education, starting with the poorest 20% of learners in South Africa as from next year. Once implemented, this policy decision will impact on the department's budget.

Health

Although Health Care 2010 was accepted as the new strategic framework of the department, the 2003/04 budget is not yet aligned with it and is thus only a holding budget. The implementation of Health Care 2010 aims to provide more affordable and efficient health care service.

The 2003/04 budget of R4,291 billion amounts to 26.17% of the provincial budget. Health receives funding for seven national conditional grants.

Given constitutional interpretations and associated acts or proclamations, the division of responsibilities regarding primary health care between the Department of Health and municipalities remains a challenge. In terms of the narrow definition of municipal health services the province will have the responsibility for all primary health care services excluding environmental health. The implementation of this definition may result in municipalities withdrawing funds, leaving a funding gap.

The transfer of medico-legal services from the South African Police Services have not been finalised as yet. Emergency medical services, currently performed at local government level, should be provincialised on 1 January 2004.

The department has a history of marginally overspending its budget. Overspending is also likely to occur in the current financial year, as a result of budgetary pressures. Indications are that the central hospital services programme is under pressure and that the National Tertiary Services grant are underfunded. Further pressures are the introduction of free medical services to the disabled and the possible introduction of policy decisions regarding the retention of scarce skills. Deferred payments were settled in May 2003 and local authority backlogs paid in June 2003.

The Auditor-General conducted an efficiency investigation with regard to supply chain management (equipment) within the department during 2002/03 and is currently conducting an efficiency investigation regarding consumables.

Social services and poverty alleviation

The department's mission is to provide a social safety net for the poor, the vulnerable and those with special needs. In pursuing this mission, the department intends to realise its vision of a self-reliant society. Social services and poverty alleviation received a budget of R3,763 billion, which constitutes 22.94% of the 2003/04 provincial budget.

Services are delivered through 14 district offices and 8 institutions across the Western Cape. It intends to fund a total of 1 353 welfare agencies/partners during 2003/04.

During 2002/03 the department's budget came under severe pressure. The child support grant and the disability grant saw a take-up rate that was much higher than initially envisaged. In addition, the value of the grants was adjusted for inflation. Consequently, social security's share of the total departmental budget increased to over 85%, leaving less than 15% for other welfare services.

The national Cabinet approved the establishment of a Social Security Agency during October 2002. Parliament is currently considering legislation and amendments to the Social Security Act in this regard. It will result in the budget of the social security function being shifted to the national sphere.

Housing

Housing's mission is to promote and facilitate the provision of adequate housing development. In pursuing this mission, the department intends to eventually realise its vision of stable communities in well-developed environments.

The department's budget constitutes 3.17% of the 2003/04 provincial budget. The Western Cape Housing development Fund expenditure transactions are running against the department's budget as from 1 April 2003, while the legislative process to disestablish the fund is expedited.

More than eighty percent of the department's budget in 2003/04 is made up of the national Housing subsidy conditional grant, a capital transfer that is used to acquire sites/land and to build houses. Since the policy changed in April 2002 and individuals were required to contribute either a cash amount of R2 479 or in kind, the delivery of housing slowed down considerably. The resultant negative impact on service delivery can be seen in the 2002/03 underspending of R30,680 million. An underspending is also expected in 2003/04.

The Human Resettlement and Redevelopment programme was initiated in 1999 and its aim is to improve the quality of the urban environment and to address the legacy of dysfunctional urban areas. Underspending is also expected on this programme, due to the late approval of business plans by the national Department of Housing and consequently the late transfer of funds from national.

The main pressure on the department is to decrease the housing backlog in the Western Cape, which is projected to grow to 410 000 in 2006. This should be done in an integrated manner, i.e. inclusive of services such as health, education, police, transport etc.

Environmental affairs and development planning

To realise its vision of a beneficial and sustainable environment, a budget of R122,682 million was allocated to this department, which constitutes 0.75% of the 2003/04 provincial budget.

The department is responsible for the transfer payment to the Western Cape Nature Conservation Board. This constitutes 47.1% of the 2003/04 budget. It will in future also be responsible for the transfer payments in support of the Environmental Commissioner. The establishment of this Office is, however, still awaiting National Treasury's approval as a public entity.

The department wants to implement a proposed macro organisational structure and staff establishment at an additional cost of R5,622 million. The Provincial Treasury has no objection, provided that they remain within budget.

Transport and public works

Transport and public works' vision is to provide the best provincial transport and property infrastructure for all. It is responsible for the construction, rehabilitation/upgrading, preventative and corrective maintenance of provincial health facilities, schools, all other provincial buildings and roads.

The department's budget, at R1,544 billion, is 9.41% of the provincial budget. It includes provision for the Hospital revitalisation national conditional grant as well as the major share of the Provincial Infrastructure grant.

With the exception of day-to-day maintenance, almost all the building expenditure of provincial departments are reflected in the Public works branch of this department, although the various departments must compile the priority lists of projects regarding construction, upgrading and rehabilitation. The prioritisation of maintenance projects is done by Public works in consultation with user departments.

With regard to health, the main infrastructure spending is on the upgrading and rehabilitation of established hospitals, which are in a poor condition. The problem with education, on the other hand, is to keep up with an ever-changing demand for schools as a result of changes in school population and population settlement.

Property management also falls under this department. It entails the planning, development and administration of the provincial property portfolio with regard to rental, leasing, purchasing and selling of provincial property.

With regard to roads infrastructure, the main function is to maintain and construct trunk, main, divisional, minor and access roads. The current expenditure, however, does not nearly match the need in terms of maintenance and resealing.

To make inroads into the infrastructure backlogs, both in terms of maintenance and new demands, the budget allocation to this department will need to increase in real terms and be substantially augmented. Such increases should, in line with the *iKapa elihlumayo* concept, stimulate economic activity in the Province, with accompanying increases in job opportunities and should have a positive impact on poverty.

Agriculture

The department's mission is to promote, by means of technology development and transfer, land reform and agricultural training, sustained agricultural production and marketing of the entire community, by creating food security, improving personal income and general quality of life. Its budget constitutes 1.03% of the 2003/04 provincial budget,

inclusive of two national conditional grants, namely Land care and special food security and part of the Provincial infrastructure grant.

Western Cape Agriculture plays an important role in implementing agricultural policies to ensure the effective use of agricultural land and for supporting the implementation of the Land Reform for Agricultural Development (LRAD) programme. The department assists in identifying beneficiaries of and redistribution and ensuring that plans for proposed land-use projects are economically and environmentally sustainable. Support must also be rendered to those beneficiaries after they have been settled.

The transfer payment, payment for management contracts and all the administrative functions regarding Casidra, previously Lanok, a registered government business enterprise with a 100% shareholding held by the Province of the Western Cape, have been consolidated in Agriculture from 1 August 2002. Through integrated people-orientated development Casidra aims to aid the establishment of self-sufficient communities, particularly in the low-income section of the population.

Local government

To achieve its vision of successful municipalities, the department received a budget of R63,853 million in 2003/04, 0.39% of the provincial budget. 37.62% of this allocation is for national conditional grants, namely the Local government capacity building fund grant (32.44%) and the Consolidated municipal infrastructure programme grant (5.18%).

The Local government capacity building fund grant will be phased out in 2005/06 as the funds will flow directly to the local government sphere. In the previous financial year this grant was not fully spent, due to the late approval of the business plan by the national department and the consequent late receipt of the funds by the Province. The Consolidated municipal infrastructure programme grant has been transferred late to the Province in the last three financial years, resulting in substantial underspending.

The department is responsible, on behalf of the national Department of Provincial and Local Government) for coordinating the Urban renewal programme with Khayelitsha and Mitchells Plain as nodes, as well as the Integrated sustainable rural development programme with the Central Karoo (Beaufort West) as a node.

The Municipal finance Management Bill, once enacted, will have a major impact on the department's activities and its available resources. The act in all likelihood will be in use in the next municipal financial year (2004/05).

Economic development and tourism

The mission of the department is to promote the growing of the Cape into a world-class economy for the equitable benefit of all inhabitants, thereby reducing economic disparities between people. A budget of R125,924 million, inclusive of the R45,2 million in respect of *iKapa elihlumayo*, which has been shifted from the Provincial Treasury, was allocated to the department in 2003/04.

Three public entities are under the control of this department, namely the Western Cape investment and trade promotion agency (WESGRO), the Western Cape liquor board (WCLB) and the Western Cape Tourism Board (WCTB).

Development of tourism in the Province will, over the next ten years, be integrated between the government and the private sector in the department's Integrated Tourism Development Framework (ITDF).

A final payment of R22 million was made towards the building of the Cape Town International Convention Centre in April 2003.

Cabinet approved the integration of Knowledge Economy and E-governance with IT in the Provincial Administration; Western Cape. The funds will thus be shifted from this department.

Cultural affairs and sport

The department's mission is to promote and transform sport and culture for the benefit, well-being and unification of the people of the Western Cape. To this extent a budget of R137,401 million was allocated for 2003/04, 0.84% of the provincial budget.

The Western Cape Language Committee as well as the Western Cape Cultural Commission are funded through this department's budget. The department is in the process of taking over the archive function from the national department, seemingly with effect from 1 April 2004.

A provincial heritage resource management system as part of an integrated and interactive system for managing heritage resources is essential and should be established.

Library material, the upgrading or building of library facilities and the management of cultural facilities are some of the activities performed by the department.

The newly created programme for school sport will play an important role in children's education.

PROVINCIAL ADMINISTRATION: WESTERN CAPE

Introduction

The department's mission is to provide strategic direction and management support to the Western Cape provincial line departments in an integrated, collaborative and coordinated manner. Increasingly, the focus is on service delivery performance as well as ensuring efficiency of spending.

The main services they deliver are: a) a support service to the Premier, Director-General and Cabinet, b) a policy and strategic management services, c) an all inclusive information technology service, d) an internal audit, forensic audit and information technology audit service; e) a transversal corporate service and f) a legal service to the provincial government.

The department's budget of R307,6 million constitutes 1.9% of the 2003/04 provincial budget. Over the 2004/05 and 2005/06 Medium Term Expenditure Framework (MTEF) period the budget share declines to 1.8% and 1.6% respectively. The net decrease in the budget is largely due to the decentralisation of the provision for information technology equipment procurement to departments' in line with the provincial government's objectives to improve efficiency in asset management and to promote accountability. R101,710 million was shifted in 2003/04 and R76,862 million, R74,464 million shifted in 2004/05 and 2005/06 respectively.

Funding

Funding for the vote comprises 99% from the equitable share, and 1% from own generated revenue in the 2002/03 financial year.

Organisational Structure

As has been the case in the past, the department has undergone substantial internal organisational and programme restructuring to improve its efficiency, cohesion, direction and service delivery in order to effectively coordinate strategic and operational activities of the provincial government and to ultimately provide an integrated E-Government, Information Communication Technology and Information Technology direction or strategy. This has resulted in extending the number of programmes from five to nine. To the five programmes Administration, Internal Audit, Information Technology (IT), Corporate services and Legal services the following programmes Policy and Strategic management, Office of the Director-General, Financial management and Personnel

management have been added. Internal audit with the exclusion of forensic audit has been shifted to Provincial Treasury during the 2003/04 year.

Spending Trends

In Table 1: The department's expenditure for the 2000/01 to 2003/04 financial years and budgeted allocations for 2004/05 to 2005/06 are reflected.

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	8 125	20 212	17 122	19 526	7.52	20 521	21 424
2. Policy and strategic management	3 144	6 882	11 809	11 584	(7.51)	12 173	12 708
3. Information technology	123 711	185 621	234 175	186 713	(24.83)	183 334	173 928
4. Corporate services	51 030	46 363	47 178	52 537	4.99	55 413	57 849
5. Legal services	4 288	5 886	6 595	8 847	26.48	9 298	9 707
6. Internal audit	2 700	4 837	6 565	10 058	44.45	10 571	11 036
7. Office of the Director-General	8 739	7 119	4 096	4 720	8.64	5 220	5 452
8. Financial management	173	2 312	8 596	7 997	(12.29)	9 457	10 273
9. Personnel Management	217	1 251		5 658		6 246	6 921
Total	202 127	280 483	336 136	307 640	(13.71)	312 233	309 298
<i>Standard item</i>							
Personnel	79 964	84 663	92 295	119 790	22.37	125 047	133 156
Administrative	7 605	8 793	9 717	14 500	40.69	14 984	15 054
Stores and livestock	2 619	3 035	4 315	3 967	(13.32)	4 439	4 455
Equipment	41 166	93 804	134 161	35 226	(75.24)	35 406	28 617
Land and buildings			41	3	(93.10)	3	3
Professional and special services	68 024	77 860	87 132	129 115	39.71	126 649	122 157
Transfer payments	2 315	12 222	8 398	5 039	(43.43)	5 705	5 856
Miscellaneous	434	106	78		(100.00)		0
Total	202 127	280 483	336 137	307 640	(13.71)	312 233	309 298
<i>Economic classification</i>							
Current	161 207	187 176	202 815	273 285	27.04	277 733	281 615
Personnel expenditure	79 964	84 663	92 295	119 790	22.37	125 047	133 156
Transfer payments	2 315	12 222	8 398	5 039	(43.43)	5 705	5 856
Other current	78 928	90 291	102 122	148 456	37.06	146 981	142 603
Capital	40 916	93 306	133 322	34 355	(75.71)	34 500	27 683
Acquisition of capital assets	40 916	93 306	133 322	34 355	(75.71)	34 500	27 683
Transfer							
Total	202 123	280 482	336 137	307 640	(13.71)	312 233	309 298
Difference		78 359	55 655	(28 497)		4,593	(2 935)
Nominal Growth %		38.77	19.84	(8.48)		1.49	-0.94
Real Growth %		30.17	8.06	(13.71)		(3.39)	(5.79)
Average annual nominal growth % (2000/01 – 2003/04)				15.03			
Average annual nominal growth % (2003/04 – 2005/06)							0.27
Average annual real growth % (2000/01 – 2003/04)				6.67			
Average annual real growth % (2003/04 – 2005/06)							(4.60)

CHAPTER 2 – PROVINCIAL ADMINISTRATION: WESTERN CAPE

As reflected in Table 1, there is a decrease of 13.71% in the expenditure level from 2002/03 to the 2003/04 budget. The decrease in the budget is largely due to the decentralisation of the provision for information technology equipment procurement to departments and thus strengthening accountability in the asset management system as mentioned earlier. This is reflected in the decrease of 75.71% in capital. Most of the programmes reflect increases with the exception of programmes 2, 3 and 8. Both programmes 2 and 8 reflect recovery over the MTEF years.

Spending behaviour

The under-spending has dropped from 19.6% in 2001/02 to 15.97% in 2002/03 (excluding a compulsory saving of R40,418 million). The major reason for the under-spending is that Information technology projects were not proceeding as foreseen.

The department's actual spending has increased dramatically, growing from R202,127 million in 2000/01, R280,483 million in 2001/02 and R336,136 million in 2002/03. These reflect nominal growths of 38.77% and 30.17% respectively. Apart from the acquisition of capital assets (11.17% of the 2003/04 budget) the most expenditure is deemed current (88.83%). The increase in spending ultimately means there are increases in the service delivery of the department. All human resource related items show positive real rates of spending growth with specifically personnel spending budgeted to grow at a real rate of 22.37% in the current year against actual figures from the 2002/03-year. This rate of growth in personnel expenditure is alarming.

The department is still in the process of filling their establishment after the latest restructuring. The personnel allocation constitutes 39% of the department's budget and exhibits a real growth primarily due to the department's restructuring.

Although spending patterns have improved, measures must be instituted to further improve financial planning and prevent under-spending. When comparing the spending of the 2001/02 to 2002/03 years' it has improved. In part the delay in spending can be attributed to the restructuring and the uncertainties regarding the cost implications of the Desai Commission.

Table 2: Budget of the Provincial development council

Transfer payments	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
Provincial development council	862	2 638	3 092	3 262	3 428	3 579
Increase in % (real)		1	0	0	0	0

Transfer payments to the Provincial Development Council, although not clearly identifiable when analysing the overall budget, constitute 1.6% of the department's budget. Table 2 clearly shows that there is no increase in the budget to the Provincial Development Council, whose powers, functions and duties essentially revolve around the concepts of giving advice to, facilitating consultation and negotiation²⁵ on behalf of the province.

²⁵ Strategic plan for the Provincial Development Council.

Assessment per programme

Table 3: The weight of each programme vs actual expenditure

Programmes	Amount 2002/03	Percentage
Programme 1: Office of the Premier	17 122	5.09
Programme 2: Provincial co-ordination	11 809	3.51
Programme 3: Information technology	234 175	69.67
Programme 4: Corporate services	47 178	14.04
Programme 5: Legal services	6 595	1.96
Programme 6: Internal audit	6 565	1.95
Programme 7: Office of the Director General	4 096	1.22
Programme 8: Financial management	8 596	2.56
Programme 9: Personnel management and administration		
TOTAL	336 136	100.00

Table 3 shows the weight of the programmes to the budget, clearly showing that Programme 3: Information technology consumes the lion's share of the department's budget at 69.67% followed by Corporate services at 14.04%.

Information technology:

Table 4: Information technology budget

Information Technology Sub-programmes	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	29 035	30 679	33 010	42 104	43 988	48 263
2. Network support and transversal systems	94 676	154 942	201 165	144 609	139 346	125 665
Total	123 711	185 621	234 175	186 713	183 334	173 928
Percentage (year on year increase nilmin)		33	21	-25	-2	-5

Information Technology (IT) is the main driver of expenditure in the vote. The decentralisation of IT, mentioned earlier, led to the decrease in the IT 2003/04 budget and MTEF years. Although the actual expenditure grew from 2001/02 to 2002/03 by 21%, the budget decreases from 2002/03 to 2003/04 by 25% and 2% and 5% in the 2004/05 and 2005/6 respectively.

What will remain with IT is the overall management of the IT component, the State Information Technology Agency (SITA) account, the hardware and network costs associated with the implementation of Basic Accounting System (BAS), as well as the Logistical Information System (Logis) Infrastructure and (networks) development of services, maintenance and consultants.

A saving has realised under IT in the 2002/03 financial year and they have requested to carry over the funds to the 2003/04 financial year.

In the current financial year, 2003/04, Cabinet approved the implementation of an organisation and establishment of a centre for E-innovation, which will integrate the Chief Directorate Information Technology, with the Chief Directorate Knowledge Economy and E - Government, and bring the relationship with the State Information Technology Agency (SITA) in line with the provision of the SITA Act, 2002 (Act 38 of 2002). This will result in amendments to the existing budget structure, which will be dealt with later in this year.

The department indicated that in the 2003/04 year, IT services not directly linked to delivering line function support, will have to be cut and also the development and implementation of new services such as File Tracking and Government Cars will be halted. Furthermore, present vacancies within the IT component will not be filled.

Corporate services:

Table 5: Corporate service's budget

Corporate services Sub-programmes	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
1. Administration	33 05	3 357	3 357	2 800	3 293	3 497
2. Human resource management	10 811	6 468	6 470	8 000	8 475	9 391
3. Operational support	26 949	25 087	25 087	26 584	30 024	31 136
4. Provincial training	9 965	11 451	11 484	13 153	13 621	13 825
Total	51 030	46 363	46 398	50 537	55 413	57 849
Percentage year on year increases (nominal)		(10%)	0%	8%	9%	4%

The actual expenditure from 2001/02 to 2002/03 remains the same, but there is an increase in the budget from 2002/03 to 2003/04 of 8% this is mainly due to the restructuring. This programme remains more or less the same, constant in real terms from 2002/03 to 2005/06. There is an increase from the 2003/04 to 2004/05 of 9% and a increase of 4% from the 2004/05 to 2005/06.

Corporate services aim is to ensure a high quality, well-functioning, Western Cape Provincial Government, renowned for good corporate governance and service delivery. This programme aims to improve Human resource development of the provincial work force by providing training. During the 2002/03 year training was presented and facilitated, comprising of 450 courses and seminars to more than 7000 officials, 440 computer training courses to 4700 officials and two provincial executive programmes.

Added to this, two orientation programmes were presented for 52 Senior management service (SMS) members, personnel empowerment programmes to 44 officials, three leadership development programmes to 60 officials and isiXhosa training courses to 100 officials.

In the current year a process is underway to decentralise the awarding and the administration of bursaries to members of staff for part-time studies from this department to the respective provincial departments.

Exclusively appropriated funds (2002/03)

R13,658 million was exclusively appropriated to absorb inflation and currency depreciation costs related to the Health Information System (HIS), R43,283 million exclusively appropriated for the HIS itself, R1,501 million for functional training of personnel practitioners and associated personnel and R300 000 for day-to-day maintenance.

Changes to baseline/Shifts (trends)

In the current year, Internal audit, with the exclusion of the forensic audit component was shifted to Provincial Treasury as from 1 August 2003. The amount shifted is R4,553 million in 2003/04, R5,680 million and R6,045 million in the 2004/05 and 2005/06 respectively. Cabinet approval has already been given for the IT integration of Knowledge Economy and E-governance with the Chief Director: Information technology.

Relationship with other programmes

As the appointment of new staff also affect the number of workstations, this will result in the increase of IT costs such as licenses, maintenance, etc.

Pressure

There has been a sharp increase in the SITA costs, it increased from R23 million in 2000/01 to R71 million in 2003/04 (current financial year). The department budgeted R55 million for SITA costs in the current financial year, however it is projected that the actual costs will exceed the budgeted amount by R20 million. The drastic increase in the expenditure is largely due to the increase in the transversal systems the province utilises. The projected over spending is applying tremendous pressure on the IT and the department's budget. Another concern is that the services IT delivers will be affected and might lead to the cancellation of some projects due to non-affordability thereof.

Underspending

Underspending should be within 2% of the overall budget. This department's under spending for the 2002/03 financial year is 15.97% of the budget, but when comparing it to the 2001/02 under spending of 19.6%, it has improved.

Conclusion

This department renders an important personnel development function to the provincial government. IT also plays a crucial role in the modern era of service delivery, but they will have to get their re-current expenditure (operational) under control to create room for other important IT expenditure. The restructuring of IT should bring about efficiency gains and improve effectiveness in service delivery.

Way forward

The departments main challenge is for Information technology (IT) to remain within budget and at the same time to deliver their service. This department and its activities have a direct link with all other provincial departments, not only from a strategic direction/perspective which the department should render, but also within personnel development content for the provincial government as a whole. Furthermore, the activities and direction in which IT operates also impact directly on departments, as IT has become part and parcel of normal delivery mechanisms of government services. The opposite is also as departments roll out their number of computer workstations, new software packages, etc. as it all impacts on the network.

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PROVINCIAL PARLIAMENT

Introduction

The vision of the Provincial Parliament is to have an optimally functioning Parliament with a mission to efficiently and cost-effectively enable Members to fulfil their statutory functions optimally and also to create an environment for effective public participation.

The strategic objectives that the Provincial Parliament follows include the quality procedural and administrative support; effectively managed resources; competent and motivated employees; a public involved in and well-informed of parliamentary activities; and improved service delivery.

The Provincial Parliament is seated in Cape Town, where all sittings of the House and most of the committees take place and the administrative functions are performed. Members visit their constituents on a regular basis to make the Parliament more accessible to the public.

The secretariat has to render support services to members of the Provincial Parliament in order to enable them to fulfil their constitutional function and thereby to render optimal service to the citizens of the Western Cape.

Funding

The Provincial Parliament's budget constitutes 0.18% of the 2003/04 provincial budget. Over the MTEF period the relative budget share remains more or less constant at this percentage.

Funding for the vote comprises of 99.6% from the equitable share and 0.24% from own generated revenue. No projects have been funded from European Union donor funding in the 2003/04 financial year.

Sufficient funds were allocated in 2003/04 to provide for the normal activities of the Provincial Parliament. In addition, provision was also made for a new catering service, and other activities to promote both the administration efficacy of Parliament and its community participation.

Table 1: Trend Comparison

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	5 777	7 625	9 057	11 750	22.32	12 728	13 960
2. Procedural Services	3 125	3 997	5 678	6 895	14.49	6 877	6 954
3. Facilities and Benefits of Members	8 700	8 385	9 152	10 789	11.15	11 483	11 914
4. Statutory Appropriation	15 455	10 550	11 340	13 826	14.95	15 205	16 728
Total	33 057	30 557	35 227	43 260	15.78	46 293	49 556
Standard item							
Personnel	24 109	19 903	22 479	28 397	19.10	30 957	33 830
Administrative	2 943	2 765	3 774	4 999	24.88	5 055	5 216
Stores and livestock	360	455	368	352	(9.82)	355	380
Equipment	314	888	771	733	(10.37)	643	666
Land and buildings							
Professional and special services	1 036	1 305	2 187	2 697	16.27	2 720	2 826
Transfer payments	3 543	4 497	4 722	5 060	1.03	5 498	5 498
Miscellaneous	752	744	926	1 022	4.06	1 065	1 140
Total	33 057	30 557	35 227	43 260	15.78	46 293	49 556
Economic classification							
Current	32 826	29 691	34 523	42 620	16.39	45 743	48 983
Personnel expenditure	24 109	19 903	22 479	28 397	19.10	30 957	33 830
Transfer payments	3 543	4 497	4 722	5 060	1.03	5 498	5 498
Other current	5 174	5 291	7 322	9 163	17.99	9 288	9 655
Capital	231	866	704	640	(14.29)	550	573
Acquisition of capital assets	231	866	704	640	(14.29)	550	573
Transfer							
Total	33 057	30 557	35 227	43 260	15.78	46 293	49 556
Difference		(2 500)	4 670	8 033		3 033	3 263
Nominal Growth %		(7.56)	15.28	22.80		7.01	7.05
Real Growth %		(13.29)	3.94	15.78		1.38	1.81
Average annual nominal growth % (2000/01 – 2003/04)				9.38			
Average annual nominal growth % (2003/04 – 2005/06)							7.03
Average annual real growth % (2000/01 – 2003/04)				2.36			
Average annual real growth % (2003/04 – 2005/06)							1.84

In previous financial years the Provincial Parliament underspent slightly on its budget. For the 2001/02 financial year the underspending was 4.9% of the budget, while the figure for 2002/03 was even less at 2.16%, largely as a result of contractual commitments not finalised on time and the non-filling of personnel vacancies.

From Table 1, on aggregate, the Provincial Parliament's spending increased nominally by 15.28% or approximately R4,6 million between 2001/02 and 2002/03. There is a real increase of 15.78% or R8 million by comparing actual 2002/03 expenditure with 2003/04

budget figures. The total expenditure of Provincial Parliament budgeted for 2002/03 totals R43,260 million.

From 2000/01 to 2003/04 there is an average annual real growth of 2.36% and from 2003/04 to 2005/06 the average annual real increase is 1.84%.

Assessment per programme/ Relationship with other programmes

The budget of Programme 1: Administration grew by 24% as new staff was appointed within the Speaker's office. The aim of the programme is to provide overall management and quality corporate support services to the Provincial Parliament. Service delivery is measured by the effectiveness of the Provincial Parliamentary functions and the skills development of workers in the public sector.

The real increase of 14,49% in Programme 2 is due to the Provincial Parliament anticipating an increased number of sittings and committee meetings for the current financial year. The aim of this programme is to provide quality procedural support, reference, research, communication, translation and interpretation services to the Provincial Parliament and other stakeholders. The increase is also due to the Provincial Parliament having more committee meetings compared with previous financial years. More interpreters and translators are required to cater for the diverse languages of the country.

The real increase of 11,15% in Programme 3 is due to provision of the Members making Parliament more accessible to the communities by more frequent visits to the rural areas than before. Expenditure in this programme is also attributable to political members of Provincial Parliament as it includes members' medical, pension and personal accident insurance benefits. Constituency allowances and allowances for services such as catering are also included under this programme.

Direct charges

The remuneration of the Members (statutory appropriation) is a direct charge on the Provincial budget in terms of the Western Cape Law on the Powers and Privileges of the Provincial Legislature, 1995 (Law 3 of 1995). For practical purposes, however, it is included in the overall expenditure assessment of the Provincial Parliament even though it does not form part of the normal budget appropriations.

The Independent Commission on Remuneration of Public Office Bearers, headed by Judge Goldstone as chairperson, makes recommendations about the remuneration of public office bearers to the President. The President determines the upper limits of remuneration by proclamation in the Government Gazette. The Premier of the Province approves the Members' remuneration by proclamation in the Provincial Gazette. The Provincial Parliament in turn must approve the Premier's remuneration.

The Provincial Parliament will continue with initiatives to promote public involvement and awareness in the legislative and other processes of the legislature and its committees.

The Provincial Parliament will improve service delivery to all stakeholders and review and implement policies and programmes that result in the training and development of staff and a conducive working environment.

The Parliament is of the opinion that, as an autonomous institution, its financial planning, with specific reference to the utilisation of roll-over funds, should not be subject to the expenditure of provincial departments. It will, nevertheless, for the current financial year reprioritise its spending and utilise the anticipated saving on catering services as requested for roll-over purposes. It was decided that a full time in-house catering service would not be established yet, as catering will be done on an as-needed basis.

The current policies on secretarial and constituency allowances do not prescribe deadlines for the submission of political parties' annual financial statements. The largest portion of Transfer Payments is paid upon receipt and satisfactory assessment of these financial statements. The receipts of such documentation are erratic and unpredictable and therefore accurate forecasts for the payment of transfer payments, are difficult. The Provincial Parliament is currently considering amending the policies to include a one-month time frame for the submission of these financial statements in order to assist budgetary control on this expenditure item.

Parliament Outreach

Parliament's efforts to promote public involvement in the work of the House and its committees were enhanced during the year. Initiatives such as outreach programmes to schools, a youth parliament, a women's parliament, etc. were undertaken. The 'Point of Order' newsletter was launched during the year and continued to be well received and has gone from strength to strength.

Other initiatives include the launch of the Youth Portal on the Provincial Parliament, the development of a Members' only portal for the exclusive use by Members of the Provincial Parliament, as well as the production of publications for adult visitors and primary school learners as part of educational material given to visitors to the Provincial Parliament. Members' only portal, launched on 24 March 2003, contains information on Members' salaries and benefits, unrevised Hansard and documents relating to Standing Committee activities, etc. All Members and staff have access to this internet site.

Sections of the website to facilitate online submissions and petitions were redesigned and developed.

The first Youth Parliament was held on 25 June 2002 and a regional debate on the Overberg region as well as a Women's Parliament was also hosted.

Spending behaviour/Patterns

As yet no virements, shifts or additional allocations, which could affect the department's budget have been made.

Accommodation

Although additional needs for parking and office accommodation still exist, the Provincial Parliament is satisfied with its accommodation in the present building and will not pursue any future moves.

The Department of Transport and Public Works is also currently upgrading the Legislative Chamber (providing a new public gallery and new delegate audio system), the lobby, the auditorium and surrounds. This will go a long way in addressing the Provincial Parliament's immediate accommodation needs. The need for additional parking and office accommodation on the second floor of the Provincial Legislature building has been registered.

Conclusion

A challenge for the Provincial Parliament is that of autonomy. The treasury function is vested in the Speaker, separate from the Provincial Treasury, in order to promote efficiency.

Provision was also made for the implementation of an employment equity plan, as outlined in a survey that focuses specifically on the severance package/ incentives being offered by organisations to "create space" to allow for improved employment equity at management levels.

Recommendations

The effectiveness of initiatives launched by the Provincial Parliament such as the Youth Portal on the Provincial Parliament, the development of a Members' only portal for the exclusive use by Members of the Provincial Parliament, as well as the production of three publications should be monitored against the performance indicators.

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PROVINCIAL TREASURY

Introduction

The department's vision is to achieve the highest possible living standards in pursuing the systematic reduction in social and economic disparities. Through this mission it intends to obtain financial and supportive means and utilise these optimally in pursuit of its vision and supporting strategic goals. The core functions of the department are to (a) achieve service excellence in the provisioning and maintenance of sound financial and human resource management and administration, (b) develop, implement and enforce financial norms and standards and ensure effective communication, (c) promote effective financial resource allocation, (d) determine and evaluate economic parameters and socio-economic imperatives within a provincial and national macro economic context, (e) enable the provincial government to finance its service delivery obligations, (f) ensure efficient budget management, (g) ensure the effective and efficient management of physical and financial assets, (h) ensure financial transaction processing and reporting that will fully reflect the financial position of the Province, (i) provide the targeted growth and development objectives of the Province and (j) to make provision for unforeseeable and unavoidable expenditure within the Province.

Funding

The Provincial Treasury is the only vote that is fully funded from own revenue and does not get any financing from the equitable share. Revenue of the Treasury is partially dependent on how fast or slow the departments spent their budgets as well as any over or under spending. The interest earned on monies received by the Province is a major part of Treasury's own revenue and is derived from periodic surplus cash balances in the Provincial Revenue Fund.

This vote constitutes 0.47% of the total provincial resource envelope and provides for expenditure of R200,294 million in 2003/04, an increase of 235.60% or R144,025 million on the 2002/03 actual expenditure.

The main reason for the considerable increase in allocated funds is due to the inclusion of *iKapa elihlumayo* funds amounting to R77,654 million (2003/04), and the provision for the contingency reserve amounting to R26,639 million.

Restructuring

The restructuring process of the department, mandated by Resolution 7 of 2002, commenced during 2002. It resulted in intensive internal organisational and programme restructuring to improve efficiency, cohesion, direction and service delivery. The new structure brings an entirely new approach to Treasury work in the Province and focuses on building the ability of its human resource base, rather than an increase in personnel numbers and above all, makes way for the Treasury's new role of catalyst for change in the province.

The province has made great strides since 1994, yet a great deal of work still needs to be done to improve *per capita* income levels, economic disparities and fiscal management and this is where Treasury's critical role comes in. Out of the conceptual framework on how the Treasury should be structured, the following core function divisions were established.

- **Fiscal policy framework**, i.e. the structure that can describe those socio-economic and service deliverable variables that would dictate the revenue and expenditure imperatives to be targeted.
- **Budget management**, i.e. tying together the three platforms of budgeting: Aligning proposed allocations with desired outcomes, measuring post-budget allocation effectiveness and efficiency of resource expenditure.
- **Asset management**, i.e. covering the different stages of Supply chain management (SCM), Provincial PPP's, cash management and financial system management.
- **Liability management**, i.e. to deal with debtor management practices, management of creditors, budget pressures, contingencies and *vis major* occurrences.
- **Accounting**, i.e. establish nominal compliance and consolidated financial statements and promote substantive accrual based accounting standards and practises.
- **Fiscal discipline maintenance**, i.e. perfecting and maintaining the basics in fiscal governance.
- **Resource acquisition and management**, i.e. ensuring the maximising of the province's revenue and borrowing potential, without causing economic harm.
- **Capacity building**, i.e. functional (basics) and substantive financial management training for all finance staff in the province.
- **Corporate services**, i.e. CFO, HRM-, HRD-, document management services which ensure efficient functioning of the Treasury as a department.
- **Financial Governance**, (or Financial management improvement), i.e. setting of norms and standards for this, communication, analysis of departmental systems, procedures and structures for risk areas.

The new Cabinet approved structure was designed in alignment with the above functional framework, and makes provision for six new components, namely (1) Financial management, (2) Human Resources Management, (3) Financial Governance, (4) Resource Management (5) Public Finance and Accounting and (6) Asset Management. Significant is the establishment of the new Asset Management component which increased by R11,848 million and Normative Measures component which increased by R10,258 million compared to 2002/03.

The increase in 2003/04 also includes the provision for legal fees regarding the Casino Bid VAT litigation. R10,419 million of the underspending of R13,317 million in 2002/03 was as a result of this compulsory saving. This amount has been allocated in the 2003/04 Main Budget to Vote 3: Provincial Treasury. The amount will not be paid as the case has been withdrawn.

Expenditure and budget trends

The trend comparison in Table 1 shows the expenditure performance of the department over the last 3 financial years, the budget for the current financial year and the subsequent MTEF years.

Table 1: Department's expenditure from 2000/01 to 2002/03 and budgeted allocations for 2003/04 to 2005/06 financial years are reflected (Nominal Rand Values)

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	14 477	17 685	20 807	18 368	(16.77)	20 001	20 681
2. Normative financial management and communication			1 544	11 802	620.67	13 299	13 819
3. Budget office	1 473	1 547	2 198	2 833	21.52	3 737	3 975
4. Macro economic analysis				4 980		5 218	5 436
5. Resource acquisition and management	6 206	7 425	5 973	19 623	209.74	5 616	5 277
6. Public finance	1 410	1 975	4 337	4 755	3.37	5 512	5 691
7. Asset management	9 910	14 731	19 865	31 713	50.51	25 750	22 600
8. Financial accounting and reporting	3 780	5 101	1 545	1 927	17.59	2 404	2 433
9. <i>iKapa elihlumayo</i>				77 654		64 123	415 597
10. Contingency provision				26 639		1	1
Total	37 256	48 464	56 269	200 294	235.60	145 661	495 510

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
Standard item							
Personnel	22 261	28 408	30 300	37 185	15.70	45 713	47 542
Administrative	2 766	3 527	3 324	3 612	2.45	3 109	3 011
Stores and livestock	833	1 069	1 222	1 260	(2.79)	1 320	1 320
Equipment	735	1 434	5 480	15 223	161.91	9 375	5 767
Land and buildings							
Professional and special services	5 218	8 017	11 614	125 066	915.28	82 482	434 790
Transfer payments	5 300	6 000	4 086	7 529	73.73	3 662	3 080
Miscellaneous	143	9	243	10 419	3 942.46		
Total	37 256	48 464	56 269	200 294	235.60	145 661	495 510
Economic classification							
Current	36 659	47 150	50 971	185 211	242.59	136 425	489 882
Personnel expenditure	22 261	28 408	30 300	37 185	15.70	45 713	47 542
Transfer payments	5 300	6 000	4 086	7 529	73.73	3 662	3 080
Other current	9 098	12 742	16 585	140 497	698.69	87 050	439 260
Capital	597	1 314	5 298	15 083	168.41	9 236	5 628
Acquisition of capital assets	597	1 314	5 298	15 083	168.41	9 236	5 628
Transfer							
Total	37 256	48 464	56 269	200 294	235.60	145 661	495 510
Difference		11 208	7 805	144 025		(54 633)	349 849
Nominal Growth %		30.08	16.10	255.96		(27.28)	240.18
Real Growth %		22.02	(1.80)	183.84		(44.80)	145.58
Average annual nominal growth % (2000/01 – 2003/04)				75.18			
Average annual nominal growth % (2003/04 – 2005/06)							57.29
Average annual real growth % (2000/01 – 2003/04)				62.45			
Average annual real growth % (2003/04 – 2005/06)							49.66

The average annual nominal growth rate for the period 2000/01 to 2003/04 is an increase of 75.18% whereas in real terms it is 62.45%. This expenditure growth can be attributed to the inclusion of *iKapa elihlumayo* funds amounting to R77,654 million, as well as the provision for the contingency reserve amounting to R26,639 million for 2003/04.

On aggregate, the department's spending increased in nominal terms by 16.10% but decreased in real terms by 1.8% or approximately R7,805 million between 2001/02 and 2002/03. Expenditure increased in both nominal and real terms by 255.96% and 183.84% respectively or R144,025 million between 2002/03 and 2003/04.

The average annual nominal growth rate for the period 2003/04 to 2005/06 increases by 57.29% and in real terms by 49.66%.

Assessment per programme (80/20 principle)

The main service delivery programmes exclude *iKapa elihlumayo* which is a provision for the targeted growth and development objectives of the Province and the contingency

provision, which makes provision for unforeseeable and unavoidable expenditure within the Province.

The Minister of Finance and Economic Development approved the withholding of R45,2 million (2002/03), of the *iKapa elihlumayo* allocation in favour of Vote 13: Economic Development and Tourism and R32,5 million in favour of Vote 5: Education (for educational purposes), which will be affected during the Adjustment Estimate on 26 November 2003. The contingency provision under the Vote also contributes to the incorrect indication that only 12.1% of the budget has been spent up to August 2003.

Public Entities

The Provincial Treasury controls and provides financial assistance to the Western Cape Gambling and Racing Board, which was established in terms of the Western Cape Gambling and Racing Law, 1996 (Law 4 of 1996). The aforementioned Law provides regulatory prescripts to support the responsible Minister in ensuring sound financial administration and management and matters incidental thereto by the Western Cape Gambling and Racing Board.

The main function of the Board is to control all gambling, racing and activities incidental thereto in the Province, subject to the Western Cape Gambling and Racing Law, 1996 and any policy determinations of the Provincial Cabinet relating to the size, nature and implementation of the industry.

The Board, currently entering its seventh year of operation, has set measurable goals to attain and evaluate its performance in reaching its mission to, "bring into being and to maintain within the Province of the Western Cape a recognised, publicly accountable and credible gaming industry which inspires trust by operating in accordance with internationally accepted standards in an environment which is free from corruption"²⁶.

The Board realised a net income of R1,626 million, which was paid into the provincial revenue fund²⁷. Due to the gambling machine industry not coming to its right during 2002/03, the anticipated revenue, from this source was not realised. As a result, the Board, which is far from financially self-sufficient, was reliant on grants from the department to continue its day to day operations.

The department made transfer payments of R4 million to the board to fund its operational activities throughout 2002/03. The revenue collected by the Board during the same period amounted to R133,261 million, and consisted of: Forfeited (confiscated) monies: R98,705, Licence Fees: R688,340, Bookmaker taxes (Horse racing): R11,204 million, Bookmaker taxes:(Sports betting) R1,669 million, Totalisator taxes: R8,505 million, Casino taxes: R110,939 million and Interest and penalties: R55,309.

²⁶ Western Cape Gambling and Racing Board, Annual Report 2002/2003, pp.4

²⁷ Western Cape Gambling and Racing Board, Annual Report 2002/2003, Income Statement, pp.58

Above all, the board has a vision of becoming, “the leading gaming regulator in the world.” The core objectives of the Board have been identified as follows²⁸:

- To maintain the legal framework within which gaming is regulated in the Province and to ensure that the exercise by the Board and its staff of their functions remains within the parameters of that framework.
- To ensure that all persons participating in the gaming industry in the Western Cape are fit and proper.
- To ensure that all licensees comply with the provisions of the Law and that gaming is conducted honestly and fairly.
- To create an appropriate and enabling environment to achieve the core objectives by way of the various departments, which all contribute towards the realisation of the core objectives.
- To eradicate the illegal gambling industry.

In 2002/03, the Board set itself the following critical challenges in refining its operational parameters to optimise efficiency through the regulation all aspects of gaming:

- Creating and maintaining a viable framework for the gaming industry in the province. Ensuring that all forms of legislation applicable to the activities of the Board are fair and reasonable to all stakeholders.
- Attaining financial self-sufficiency with a view to reducing, and eventually eliminating, the Board’s dependence on the provincial fiscus.
- Increasing the Board’s public profile as an organisation so as to generate enhanced public trust and confidence.
- In the field of regulation, endeavouring to diminish the negative impact of gambling.
- Ensuring that the regulatory framework keeps abreast of changes in the environment and the market.
- Eliminating unlawful gambling activities.
- Efficiently regulating the industry in terms of the legislative framework.

Changes to baseline/in-year shifts

The Minister of Finance and Economic Development on 17 June 2003 approved the withholding of R45,2 million (2002/03), a substantial portion of the *iKapa elihlumayo* allocation in favour of Vote 13: Economic Development and Tourism in terms of section 33 of the PFMA, (Act 1 of 1999) which will be affected during the Adjustment Estimate on 26 November 2003. The balance of the *iKapa elihlumayo* funding will be used for educational purposes and continue to be driven by the Provincial Treasury in liaison with the Education Department, to where it will be shifted in the adjustment

²⁸ Western Cape Gambling and Racing Board, Annual Report 2002/2003, pp.5

estimate, as the process is already underway and intrinsically linked to the balance of their spending.

From 1 August 2003, Internal audit has been shifted to this department, which consist of Internal audit and IT audit. The internal audit component now presides under Programme 2: Financial governance.

A minimal contingency provision under Vote 3 - Provincial Treasury was made for unforeseeable and unavoidable expenditure within the province to provide for those untimely and unpreventable eventualities that cannot be funded by other means, or as savings and reprioritisation, as contemplated in Treasury Regulation 6.6.1. Indications are that R4,5 million will, be shifted to Vote 1: Provincial Administration: Western Cape to cater for the Provincial Imbizo, assistance to the department of Home Affairs with voter registration and for IT restructuring costs and R20,0 million to Vote 10: Transport and Public Works for flood relieve in the Adjustment Estimate.

Relationships with Other Programmes

An amount of R45,2 million or 58% of the *iKapa elihlumayo* funds have been shifted to Vote 13: Economic development and tourism. The balance of the *iKapa elihlumayo* funding (R32,454 million for 2003/04) will remain in this vote and will be used for educational purposes and be shifted to the Education department during the adjustment estimate.

The remainder provided for in 2005/06 (R348,397 million) has been reserved for infrastructure spending and will be driven by the Provincial Treasury in liaison with mainly Vote 10: Transport and Works, and as part of the Provincial Treasury's own responsibilities with respect to improved asset deployment and resource allocation to achieve lasting economic growth and development results.

The contingency provision has been vested in this vote. It will be used to ensure the availability of funds for eventualities that cannot be anticipated, prevented or funded by other means. Funds will, be shifted to Vote 1: Provincial Administration: Western Cape and Vote 10: Transport and Public Works to cater for unforeseeable and unavoidable expenditure at those votes amounting to R4,5 million and R20,0 million respectively. It also seems that the current provision of R26,639 million for 2003/04 is not enough to cater for unforeseen and unavoidable circumstances.

An amount of R9,6 million was allocated to this vote for the establishment of internal audit units at Health and Education and the promotion of a similar unit at Social services and poverty alleviation. The Departments of Education, Health and Social services and poverty alleviation must establish separate audit committees. Provincial Treasury will be responsible for the shared audit committee function for the rest of the provincial departments.

Specific and Exclusive expenditure

Funds have been earmarked for a litigation case regarding VAT on casino bid fees, where R10,419 million of the R13,317 million 2002/03 underspending accounts for this compulsory saving. It has, however, since been established that this amount will not be paid, thus a saving to this effect, will be reflected by the end of the 2003/04 financial year and will be potentially surrendered to the Provincial Revenue Fund.

The *iKapa elihlumayo* allocation of R77,654 million has already been discussed, above.

Provisions have been made specifically for a litigation case, on which finality is deemed to be reached during August 2003; the beginning of the decentralisation of the internal audit function within the social sector, (R8,000 million in 2003/04, R8,408 million in 2004/05 and R8,778 million in 2005/06. The purpose of this is to better resource management efficiency and risk assessments. Added to these are provisions for BAS (user equipment and management) in 2003/04 of R6,171 million and R4,611 million for Logis. Final amounts of R0,717 million for BAS and R2,913 million for Logis are provided for in 2004/05.

Spending Behaviour/Patterns

The department has a history of major underspending. This underspending decreased annually indicating that the budget seems to be more credible each year. The total underspending for 2002/03 was R13,317 million or 19.13% of the adjustments budget, compared to 22.13% in the previous financial year. The provincial average is 2.07%.

As the full effect of the process of restructuring only came into effect in the first part of the 2003/04 financial year, the spending patterns in the current financial year indicates that there could be a major underspending unless other shifts take place. This is to be reassessed at the end of the second quarter for possible budget amendments during the adjustment estimates.

There have, as yet, been no virement applications. The shifting of R3,817 million²⁹ for the establishment of the internal audit function from vote 1: PAWC has been indicated as an adjustment (shift of funds between votes) as from August 2003. Indications are that the tender for the outsourcing of the internal audit function should be finalised by end of 2003.

Pressures

There are no immediate pressures in Treasury's budget, except for the capacity to implement the Municipal finance act and the Internal audit function, in coming years.

²⁹ In Year Monitoring report on revenue and expenditure as at 31 August 2003. AO letter dd. 15 September 2003.

Conclusion

It appears that the Provincial Treasury is financially adequately resourced, although the requirements for the roll out of Internal Audit at departments might post challenges; the full effect of which will only be known after conclusion of this present tender process.

After restructuring, the Provincial Treasury should be geared to take up the following challenges:

- Finalising of the restructuring and capacity building within the Treasury to better fulfil its legal mandate in addressing the socio-economic challenges of the Province;
- Improving overall budget expenditure and revenue efficiency and efficacy within the Province;
- Increased emphasis on macro economic and expenditure efficiency analysis (see core function divisions mentioned earlier);
- Increased emphasis on enhancing provincial revenue base and improving asset management in the Province including the introduction of supply chain management and further improvement to financial management generally and systems specifically, and
- Driving the *iKapa elihlumayo* initiative that has at its heart the improvement of the economic well-being of the entire population, increasingly wider participation in the economy by previously disadvantaged individuals and the sustainable narrowing of economic disparities.

Recommendations

Augmentation or not of the Provincial Treasury's budget be considered once clear indications are available as regards their Internal Audit and Municipal Finance Management Bill responsibilities.

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COMMUNITY SAFETY

Introduction

The department's mission is to promote safety and security through a process of civilian oversight, crime prevention strategies and effective traffic law enforcement and traffic safety education. By pursuing this mission it aims to achieve its vision of having the citizens of the Western Cape free from the fear of crime.

Since 1996 the objective of the department has changed systematically, whereas previously it only consisted of a Head Office. Initially the department concentrated on its civilian oversight role, but subsequently it developed its crime prevention capacity/strategy. To this extent, there are now twelve traffic centres strategically situated throughout the Province with a total staff compliment of 290 traffic law enforcement officials.

The strategic objectives that the department set include the promotion of civilian oversight over the South African Police Service (SAPS); researching crime and policing trends and provide safety education to maintain people orientated, problem-solving, policing safety strategy; ensure functional operational structures to assist the SAPS; supporting social crime prevention initiatives; and creating a safer environment for all road users in the Western Cape.

One of the department's main services is to ensure civilian oversight over the SAPS by monitoring service delivery at 138 police stations to ensure a better relationship between the police and the community. In order to achieve this goal the department plans to register 164 community police forums by year-end in order to assist the police with identifying crime.

The department's focus on rendering traffic law enforcement services is to ultimately increase 24-hour visibility of traffic law enforcers in order to cover more areas and to be in attendance at an increased number of weighbridges. During July 2003 there were 7 traffic centres that already operated 24-hourly.

The department is under pressure to provide means of monitoring issues such as whether or not crime levels have been reduced and how to reduce roads fatalities. Such indicators will be used to measure efficiency and efficacy in spending.

A budget of R140,443 million was allocated to the department for the 2003/04 financial year. Within this envelope the department must give effect to its service delivery as encapsulated in its vision and mission. This constitutes 0.86% of the 2003/04 provincial

budget. Over the MTEF period the relative budget share decreases slightly to 0.84% and 0.82% for 2004/05 and 2005/06 respectively.

Funding

Funding for the vote comprises of 99.74% from the equitable share and 0.26% from own generated revenue. The department is not funded by way of conditional grants.

Expenditure Trends

From Table 1 below it is evident that the department has undergone substantial budgetary reform, which has seen an average real expenditure growth of 30.02% for the period 2000/01 to 2003/04. The most significant increase in spending was from 2000/01 to 2001/02 when actual expenditure increased by 90.64% in nominal terms. This increase was due to the fact that the road traffic law enforcement component was transferred from the department of Transport and Public Works. The department created a new programme, Safety Promotion to accommodate this function.

Apart from the 2000/01 financial year when spending on Safety Promotion was 53.9% of the total spending for the vote, the allocation to the Safety Promotion programme has consistently consumed in excess of 75% of the departmental budget, with the remainder almost evenly split between the remaining two programmes.

The big increase in spending in 2001/02 can be attributed to a substantial increase in personnel and an amount of R6 million allocated in the adjustments budget for the Road traffic management system. The department's personnel establishment grew to closely 500 in 2002 because due to the transfer of traffic officers from the Department of Transport and Public Works.

The department has a history of staying within budget. Even though the department under spent its 2002/03 adjusted budget by R0,208 million, this only amounts to 0.17% of the budget compared to 8.12% in the previous financial year. The provincial average is 2.07%. This is a clear indication that the department is improving its spending.

The department's spending increased in real terms by 10.23% or R21,621 million (nominal) between 2001/02 and 2002/03 and by another 11.50% (real) or R21,692 million (nominal) comparing 2002/03 actual to 2003/04 budget. A once off amount of R11,465 million was paid for the installation of Close Circuit Television cameras (CCTV) in Khayelitsha and Mitchells Plain in the 2002/03 financial year that was not included in the 2003/04 budget. The funds were paid over (via transfer payments) to the City of Cape Town who is responsible for the installation of the cameras. The remaining CCTV cameras were turned on in October 2003.

Table 1: Trend Comparison

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	2 608	9 707	14 105	18 203	21.67	18 450	18 950
2. Provincial Secretariat for Safety and Security	20 891	4 538	15 286	14 852	(8.40)	16 337	16 663
3. Safety Promotion	27 450	82 885	89 360	107 388	13.30	112 619	120 011
Total	50 949	97 130	118 751	140 443	11.50	147 406	155 624
Standard item							
Personnel	24 609	38 630	52 891	71 608	27.65	79 559	84 949
Administrative	8 927	14 454	17 426	23 002	24.45	24 950	27 268
Stores and livestock	1 331	4 412	5 837	10 198	64.72	10 752	11 077
Equipment	4 019	10 416	4 330	3 616	(21.27)	3 837	3 849
Land and buildings	4	912	15	20	25.71	100	100
Professional and special services	4 078	5 834	6 742	17 424	143.66	12 425	12 583
Transfer payments	7 940	22 387	31 194	14 300	(56.78)	15 610	15 625
Miscellaneous	41	85	316	275	(17.95)	173	173
Total	50 949	97 130	118 751	140 443	11.50	147 406	155 624
Economic classification							
Current	47 344	87 424	103 633	137 770	25.34	144 608	152 814
Personnel expenditure	24 609	38 630	52 891	71 608	27.65	79 559	84 949
Transfer payments	7 940	22 387	19 729	14 300	(31.66)	15 610	15 625
Other current	14 795	26 407	31 013	51 862	57.66	49 439	52 240
Capital	3 605	9 706	15 118	2 673	(83.33)	2 798	2 810
Acquisition of capital assets	3 605	9 706	3 653	2 673	(31.01)	2 798	2 810
Transfer			11 465		(100.00)		
Total	50 949	97 130	118 751	140 443	11.50	147 406	155 624
Difference		46 181	21 621	21 692		6 963	8 218
Nominal Growth		90.64	22.26	18.27		4.96	5.58
Real Growth		78.83	10.23	11.50		(0.57)	0.41
Average annual nominal growth (2000/01 – 2003/04)				40.21			
Average annual nominal growth (2003/04 – 2005/06)							5.27
Average annual real growth (2000/01 – 2003/04)				30.02			
Average annual real growth (2003/04 – 2005/06)							0.16

Personnel expenditure accounts for 51% of the department's budget in 2003/04 indicating that the department is very personnel intensive. The department has the intention of creating an additional 1 300 posts on the establishment of the Directorate Traffic for establishing a 24-hour traffic management service throughout the Province. However, the creation of these additional posts will be subject to the availability of additional funding. Since the functions provided by this programme are personnel intensive, it stands to reason that the largest proportion of expenditure is personnel related and the department spends less on non-personnel expenditure i.e. capital goods, compared to current expenditure.

Since the 2000/01 financial year, expenditure on the programme Safety Promotion has grown considerably from less than R30 million in 2000/01 to closely R108 million in the 2003/04 budget year. This ties in with the department's indication that "mobilisation of communities" is one of their key deliverables. An objective identified by the department as its flagship project is the implementation of the *Bambanani* campaign to mobilise communities against crime as one of its key deliverables.

During 2003/04, the department shifted the focus of its objectives that resulted in a slight change of its priorities. The realignment of the strategic objectives resulted in the shifting of funds for the provision of training of neighbourhood watches, who assist in the fight against crime and to implement a strategy to counter the problem of gangsterism that is unique in the Western Cape.

In an effort to increase attention to road safety enforcement, the department intends to implement the effective roll out of a 24-hour traffic law enforcement service, an incremental 24-hour service at different weighbridges and the effective co-ordination of traffic law enforcement agencies.

The 24-hour visibility extension has a carry-through effect especially as it concerns the appointment of traffic officials with its aim to decrease accidents on the road. The rationale for the 24-hour visibility approach is that it relieves the SAPS from normal traffic duties, in order to devote their time to more serious crime related issues.

According to a service level agreement between the two departments, this department is responsible for the traffic law enforcement function while the department of Transport and Public Works is driving the implementation of the 24-hour weighbridge service.

Non-financial information

The public generally does not hold law enforcement agencies in high esteem. Furthermore, public misperceptions need to be eradicated. Specific campaigns are planned to help change the public's perception of law enforcement officials and educate the public as well. The department supports various social crime prevention projects, of which Hands off our Children (HOOC), with its aim to reduce violence against women and children, is one.

Another project is the Urban Renewal Strategy with its aim to effectively co-ordinate and address the activities of gang related violence consisting of 21 projects in 7 areas.

The Western Cape Province is the biggest recipient of the new police intake with 3 200 police officers from an available 5 000 nationally over a three year period. Together with the implementation of municipal police in all of the Metropolitan areas over the past two years, it emphasises the focus on crime fighting in the Metropole.

A total of 577 Municipal Police recruits were trained in 2002. In addition to this, 147 candidates underwent conversion courses, bringing the total number of officers trained to 724.

The figures reflected above are for all officers who have been trained as Municipal Police Officers. This includes the City of Cape Town and Swartland Municipality where Municipal Police Services have been implemented and some officers who have been trained for the Drakenstein, Mossel Bay and Langeberg municipalities where they are employed as Traffic or Law Enforcement Officers. These improvements to service delivery will place added pressure on the current and future years' budgets resulting in additional personnel and operational costs.

A decision was taken to rationalise the number of training institutions in the department. To this effect, the Gene Louw Traffic Training College is in the process of amalgamating with the Philippi College. Since Municipal Police Officers also have to be qualified Traffic Officers it makes sense to present this training at one facility. This is an ongoing process and the first joint courses for both Provincial Traffic Officers and Municipal Police Officers started at the beginning of 2003.

Relationship with other programmes/departments

Complementing the additional services, the department purchased 12 additional light delivery vehicles as well as 44 replacement vehicles (marked and equipped) also contributing to increased expenditure growth assisting in law enforcement of the 9 operational weighbridges.

At a meeting held on 6 February 2003 between this department and the department of Transport and Public Works, the deterioration of the safety of rail commuters was discussed. It was decided that the safety on trains on the five stations in the Khayelitsha area be improved as a matter of urgency and thus the Khayelitsha Safer Trains project was established. Community Patrol Officers are deployed at 38 police stations around the Peninsula and on the trains of Metro Rail. The feedback that they have on preventing and combating crime is extremely positive. However, from a constitutional point of view it is questionable if it is a provincial competency to ensure safety on trains and stations.

The department still has one of its aims to implement the dual vehicle system carrying a paramedic and traffic official to prevent and react to road accidents. However, this aim must still be implemented between this department and the department of Health.

The education of Learner Support Officers (LSO) is jointly administered and executed by this department and the Education department. The operational costs is provided by the department of Community Safety. The purpose of this project is to reduce truancy and juvenile offences.

Earmarked allocations

An amount of R1,259 million was allocated for the day-to-day maintenance of the department.

In-year shifts

The department shifted its funds as it changed the focus of its objectives leading to a slight change in its priorities. The realignment of the strategic objectives necessitated the internal shifting of funds to include the provision of training of neighbourhood watches assisting in the fight against crime.

Another shift relates to the implementation of a strategy to the problem of gangsterism unique in the Western Cape as well as the implementation of the Bambanani campaign to mobilise communities against crime.

The appointment of additional traffic officers leading to increased visibility on the roads in order to reduce accidents on the roads also necessitated some shifting of funding. Furthermore, the safer trains/stations improvement project also required some shifting of funding.

Conclusion

The implementation of the *Bamabanani* campaign to mobilise communities against crime is the flagship project of the department. This will promote better relations between communities and the South African Police Service and the rolling out of a 24-hour service of traffic law enforcement. The 24-hour service of traffic law enforcement will relieve the South African Police Service from traffic related incidence to focus on more serious crime issues. It would appear if the full implementation of this 24-hour service is not affordable in the current funding envelope.

Training of neighbourhood watches assist in the fight against crime, which coincides with the better utilisation of the Philippi College. Another relates to the implementation of a strategy to the problem of gangsterism unique in the Western Cape.

Due to the deterioration of the safety of rail commuters, it was decided that the safety on trains on the five stations in the Khayelitsha area be improved as a matter of urgency and thus the Khayelitsha Safer Trains project came about with the subsequent deployment of Community Patrol Officers on the trains of Metro Rail.

The department frequently changes its focus, on the margin, in order to address the needs of the Province.

Recommendations

That greater measure of stability needs to be achieved with the budget and programmes/projects of the department.

That the further role-out of a 24-hour service of traffic law enforcement only be considered once proof exists that the return on the current investment is greater than the investment itself.

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EDUCATION

Introduction

The department's mission is to ensure that all learners of the Western Cape acquire the knowledge, skills and values they need to lead fulfilling lives, and to contribute to the development of the province and the country. The vision of the department is to provide effective education for all.

The department's budget constitutes 30.68% of the 2003/04 provincial budget. Over the MTEF period the relative budget share decreases to 30.42% and 29.42% for 2004/05 and 2005/06 respectively.

Services are delivered under the supervision of seven Education Management Development Centres (EMDC's) at 1 459 public schools, as well as the special schools and further six education and training colleges, ECD centres and ABET centres across the Western Cape. The department also provides funds partly covering the daily expenses of 65 subsidised private schools, 944 pre-schools and 112 adult centres.

The department's aim is to ensure that each learner in public schools is provided with a textbook for each learning area or subject at the beginning of each school year to be able to develop pupils effectively.

The objectives of the department can be summarised as follows:

- To ensure access to quality basic education for all children living in the province
- To equip educators in their efforts to provide effective education
- To ensure effective management and governance in all the learning sites and support structures
- To ensure safe school environments required for effective teaching and learning
- To promote accountability on all levels, in line with the legislative framework

For the 2003/04 budget, the department implemented uniform programme structures, which were developed by the National Department of Education in consultation with the National Treasury, provincial education departments and provincial treasuries to make inter-provincial comparisons possible.

Funding

The 2003/04 funding for the vote comprises of 99,04% from the equitable share, 0,69% national conditional grants and 0,27% from own generated revenue.

Over the period from 2000/01 to 2003/04 the department's funding is increasing with an average annual real growth of 0.33%. From 2003/04 to 2005/06 the average annual real growth rate is 0.18%. However, it needs to be mentioned that this real growth is based on CPI-X as reflected in Table 1, Chapter 1 of the overview. If one takes into account that 85.94% of the department's 2003/04 budget relates to personnel expenditure and that the salary increase of 8.5% was implemented as from 1 July 2003 (excluding the 1% pay progression for public servants), then it is clear that the average annual real growth rates are misleading.

A budget of R5,031 billion (30.65% of the provincial budget) was allocated to the department for the 2003/04 financial year. Within this envelope the department must give effect to its service delivery as encapsulated in its vision and mission.

Expenditure and Budget Trends

The trend comparison in table 1 shows the expenditure performance of the department over the past 3 financial years, the budget for the current financial year (2003/04) and the subsequent MTEF years.

Table 1: Trend comparison

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	124 274	152 742	161 379	201 391	17.66	210 125	214 396
2. Public ordinary school education	3 330 186	3 544 861	3 842 283	4 180 455	2.58	4 465 422	4 651 753
3. Independent school subsidies	16 831	22 025	23 745	24 949	(0.94)	28 363	29 849
4. Public special school education	276 410	293 724	300 928	318 524	(0.21)	338 196	357 852
5. Further education and training	114 104	125 861	132 707	137 105	(2.59)	145 617	154 110
6. Adult basic education and training	14 989	15 280	17 961	18 626	(2.23)	19 830	21 061
7. Early childhood development	28 170	26 261	52 838	53 681	(4.21)	55 070	56 240
8. Auxiliary and associated services	67 645	92 459	100 270	96 063	(9.67)	94 299	91 692
Total	3 972 609	4 273 213	4 632 111	5 030 794	2.40	5 356 922	5 576 953
Standard item							
Personnel	3 567 022	3 715 541	3 959 405	4 323 472	2.95	4 616 995	4 791 851
Administrative	39 554	47 326	61 321	60 003	(7.74)	62 969	63 295
Stores and livestock	72 085	110 659	147 498	138 355	(11.56)	148 355	187 589
Equipment	9 627	55 157	32 776	46 120	32.67	47 280	45 269
Land and buildings	3 473	2 407	1 914	2 231	9.90	2 342	2 459
Professional and special services	93 742	105 565	155 459	170 787	3.58	171 209	171 037
Transfer payments	160 851	235 481	271 620	288 531	0.15	306 412	314 026
Miscellaneous	26 255	1 077	2 118	1 295	(42.35)	1 360	1 427
Total	3 972 609	4 273 213	4 632 111	5 030 794	2.40	5 356 922	5 576 953

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
Economic classification							
Current	3 964 376	4 222 265	4 607 822	4 993 323	2.17	5 318 225	5 540 636
Personnel expenditure	3 567 022	3 715 541	3 959 405	4 323 472	2.95	4 616 995	4 791 851
Transfer payments	160 851	235 481	269 594	288 531	0.90	306 412	314 026
Other current	236 503	271 243	378 823	381 320	(5.10)	394 818	434 759
Capital	8 233	50 948	24 289	37 471	45.45	38 697	36 317
Acquisition of capital assets	8 233	50 948	22 263	37 471	58.69	38 697	36 317
Transfer			2 026		(100.00)		
Total	3 972 609	4 273 213	4 632 111	5 030 794	2.40	5 356 922	5 576 953
Difference		300 604	358 898	398 683		326 128	220 031
Nominal Growth %		7.57	8.40	8.61		6.48	4.11
Real Growth %		0.90	(2.26)	2.40		0.88	(0.99)
Average annual nominal growth % (2000/01 – 2003/04)				8.19			
Average annual nominal growth % (2003/04 – 2005/06)							5.29
Average annual real growth % (2000/01 – 2003/04)				0.33			
Average annual real growth % (2003/04 – 2005/06)							0.18

When comparing actual to budgeted figures in Table 1 it can be seen that expenditure increased marginally in real terms by 2.4% or R398,683 million between 2002/03 and 2003/04. This marginal growth trend continues in the MTEF years 2003/04 to 2005/06 at an annual average rate of 0.18%. This trend does not compare favourably with the growth of population in the Western Cape of almost 3% per annum. Which means that if the number of pupils in the schooling system is going to follow the population growth trend, then the unit cost per pupil will have to decrease in real terms.

From Table 1 it is evident that the department's main programme in budgetary terms is Public Ordinary School Education, which accounts for over 83.10% of the budget. Apart from the programme: Administration function it is the only programme, which has seen real growth in expenditure over the past year. As Public Ordinary School Education entails the major function of the Vote, namely to provide public ordinary schooling, the movement of this programme affects the movement of the Vote as a whole.

Personnel vs non-personnel ratio

The decrease in available funds to the department is a direct result of the attempt to correct the personnel: non-personnel ratio (85:15) that the department set to achieve in 2004/05. A measure that was used in 2001/02 to reduce educator numbers was to offer mutually agreed severance packages to qualifying educators in an attempt not to lose the educators educating in subjects such as Mathematics and Science.

The aim the Department set for 2004/05 (85:15 personnel: non-personnel ratio) was already reached in 2001/02, taking Works and IT funds into consideration. The split of personnel to non-personnel expenditure from 2002/03 to 2003/04 worsens to 85,9: 14,1 (excluding Works funds) from 84.9:15.1. 85.94% of the 2003/04 Education budget

provides for personnel (including the 8% provision for improvements in the conditions of service (ICS) as well as the normal salary creep), indicating increased spending on non-personnel issues relative to 2002/03. It must be taken into consideration that IT funds forms part of the Education budget in 2003/04, where it was previously wholly provided on the budget of the department of Provincial Administration: Western Cape.

For optimal effectivity of education a balance between expenditure on personnel and non-personnel is required. Spending on non-personnel is often placed under pressure by increases in personnel expenditure due to pressure from various avenues, such as increases in medical aid contributions as well as increases in home owners' allowances affected by surging interest rates.

Personnel expenditure

Projected 2003/04 personnel expenditure includes provision for salary increases. The once-off R850 payments, which were paid over the past 3 years have been replaced by the Staff performance management system (SPMS). The SPMS applies to public service employees and CS educators as from 1 April 2003. The provision for ICS seems evident from the increase of 7.29% from June 2003 to July 2003 in the actual personnel spending. The growth (9.2%)³⁰ in the personnel budget of the WCED is a direct result of the increased ICS provisions.

There has been a turnaround in interest rates in 2003/04 as the interest rates dropped by 3,5 percentage points from April 2003 to September 2003, which accounts for an approximate saving of R3,5 million per month as from October 2003 on housing allowances paid by the department. From a budgetary perspective the current decreasing trend in interest rates will affect the department's personnel budget positively and might relief the spending pressures on the other spending categories.

A higher than expected increase in medical aid contributions may also affect the spending of funds as the department will need to accommodate. The resultant additional employer's contribution from its available funds. Close to 20 000 (54%) personnel make use of medical schemes, which amounts to about R212,5 million liabilities per annum.

The department indicated that 1 948 of the department's personnel (1 435 public servants and 513 educators) have been declared in excess in the beginning of the 2003/04 financial year. In terms of Resolution 7/2002 and measures of the department, the department was able to reduce its public servants to 532 personnel. It should be noted that educator numbers would increase from 1 January 2004 due to revised establishments of schools to be able to accommodate the changing patterns in the number of learners in each school.

Admission age of learners

Dropping the age admission policy will result in an expected annual growth of 20 000 new grade learners, requiring at least 500 additional educators as well as provision to

³⁰ Source: In-year monitoring report for the month ending 31 July 2003

fund transport for the additional learners. This will have a carry-through effect as approximately 50% of learners progress up to grade 12 before exiting the school system.³¹

In 2001 there was a total of 882 527 learners in the public school system, and this number increased to 892 000 in 2003. It seems as if the dropping of the admission age has not affected the department to the extent anticipated, with the additional younger learners entering the school system. However, it is still early days and the impact may be felt in a phased manner.

Matriculation pass rates

The matriculation/Grade 12 pass rate has improved from 80.6% (30 489) in 2000 to 82.7% in 2001 (31 049) and further to 85.6% (32 985) in 2002.

School performance

Schools that performed well in the Senior Certificate examination relative to their socio-economic situations, as well as schools whose performances in these examinations improved considerably, were rewarded with participation in the Mathematics and Science project (as part of the wider Khanya³² project). The aim of Khanya is to ensure that, by the start of the 2012 academic year, every educator in every school of the Western Cape will be empowered to use appropriate technology to deliver curricula to each and every learner.

The Telecommunications Project (E-com project) ensures that each school has at least one computer for administrative use as well as for electronic communication. The E-com project assists schools in the e-management and with the beginning of the process of introducing e-learning into the furthest reaches of our province.

Section 21 school status

Section 21 schools are allocated transfer payments, which allow the school budgetary discretion in relation to its specific needs, as well as greater in-year manoeuvrability. These schools must comply with predetermined criteria, compile quarterly reports and submit financial statements at year-end in order to retain their status. The Education Management and Development Centres (EMDC's) manage the compliance of section 21 schools.

On 1 January 2000, the department started a programme to convert public schools to section 21 status in terms of the South African Schools Act, 1996. The aim was to afford 100 schools with section 21 status for that year and to progressively ensure that all schools achieve section 21 status over an eight-year period (ending 2007). The target for schools with section 21 status is 702 in 2003 representing an increase of 142 from

³¹ Provincial Treasury submission sent to National Education Department in November 2002

³² Khanya means "to give light". It entails the improvement of education through the use of technology.

2001 or 48% of all public schools with section 21 status. There is a marginal increase from 45.5% in 2002 to 48% in 2003 of non-section schools converting to section 21 status. With an annual conversion rate of less than 3% it is highly unlikely that the target will be met for all schools to achieve section 21 status by the end of the 2007 school year.

There has been even lesser increase in transfer payments of 1.27% in real terms from 2002/03 actual expenditure to the 2003/04 budget. This marginal increase in transfer payments, which will be made to section 21 schools also raises the question as to how fewer funds can be transferred to more schools with section 21 status.

Independent Schools

Financial assistance to independent schools is the cheapest form of education delivery for the State. It is therefore encouraging to see there is a real increase from 2002/03 actual expenditure to 2003/04 of learners receiving a state subsidy, even though the increase is marginal. It must, however, be taken into consideration that not all independent schools receive state subsidies. A good indication would be to include as a performance measure the mobility of learners from public schools to independent schools or vice versa.

Earmarked allocations

Funds have been earmarked specifically for day-to-day maintenance (R210 000) and learner support materials (R66 million). The department agreed that day-to-day maintenance should form part of its equitable share allocation in 2004/05 and not part of its earmarked funds as day-to-day maintenance only makes up a fraction of the department's total budget and there is no specific need to ringfence the amount.

Learner Support Materials (LSM) will remain part of the earmarked funds, as it is a critical important component of the norms and standards funding, which includes textbooks, stationery and teaching aids. Due to LSM being continuously under pressure, the department utilises funds saved on other items to augment the allocation during the financial year.

Technical Adjustments

The readiness to take over the primary school nutrition programme from Vote 6: Health, which is being funded by means of a conditional grant, has been ascertained. It was agreed that the work will be done with Health in the interim and an action plan was developed with the finalisation of the business plan. The intention is that Education will take over this function with effect from 1 April 2004.

Part of the process of streamlining Information Technology (IT) entailed the shifting of Khanya as from 1 April 2003 from Vote 1: Provincial Administration: Western Cape, thereby rectifying the problems experienced with accountability, and management of IT

assets in use by departments. The amounts shifted was R38 million in 2003/04, R39,938 million in 2004/05 and R41,695 million in 2005/06.

For the maintenance and construction of schools, R188,854 million in 2003/04 is in aggregate provided on the budgets of Vote 10: Transport and Public Works as well as Vote 5: Education itself. The provision made under Programme 2 (Transport and Public Works) was R177,564 million in 2003/04, R161,390 million in 2004/05 and R165,847 million in 2005/06.

iKapa elihlumayo

The Provincial Treasury has asked the department to enter into a 'strategic alliance' and 'a business partner arrangement' in attaining the objectives of *iKapa elihlumayo*. The three main goals of *iKapa elihlumayo* are to increase economic growth; reduce inequality in the province through increased rates of employment and broader participation in the provincial economy, and deliver sustained poverty relief in the short term.

This arrangement has two aspects, one of which is the optimal alignment of the entire Education budget with the goals of *iKapa elihlumayo*. The second aspect of this arrangement is the formulation of a specific proposal for building skills at community level. Specific aspects of this intervention include:

- determining how the department intends to systemically build the degree and quality of human capital in the population ;
- setting targets for specific outputs and outcomes over a defined period of time; and
- outlining proposals for short-term projects which the provincial budget may support to ensure that the bottom line objectives of *iKapa elihlumayo* are met.

Spending behaviour/patterns

The department has a history of marginal under spending since 2000/01 though the extent of the under spending has decreased annually. The percentage of under spending for 2002/03 is 0.99%, (or R46,138 million) compared to 1.52% (or R65,984 million) for 2001/02. However, this is well within the norm of 2%, even though in monetary terms the amount seems high.

Table 2: Conditional Grant Trends

Conditional grants	Voted 2003/04	Roll-over 2003/04	Total Voted 2003/04	Adjusted 2002/03	Spending till end of July-03	
	R'000	R'000	R'000	R'000	Spending R'000	Spending %
Financial management	18 519	1 596	20 115	21 721	6 519	32.4
HIV/Aids	9 518	2 389	11 907	16 318	3 399	28.5
ECD	6 952	471	7 423	5 040	816	11.0
Departmental totals	34 989	4 456	39 445	43 079	10 734	27.2

The department manages three national conditional grants, namely the Financial management and quality enhancement grant, the HIV/Aids grant and the Early childhood development (ECD) grant. Conditional grant spending appears to be slow in 2003/04, which may indicate that certain services are not being delivered as per specific requirements in terms of approved business plans.

The conditional grant for HIV/Aids is meant for life skills programmes in primary and secondary schools amounting to R11,907 million (0,19% of the total budget). This is meant to assert access to an appropriate and effective integrated system of prevention, care and support. The spending on learning materials for HIV/Aids is considerably better than in 2002/03 with an increase to 28.5% this year compared to 4.1% during the same four month period last year.

The conditional grant for financial management and quality enhancement totals R20,115 million (0.37% of the original budget) and increases over the MTEF. Spending on this conditional grant has improved to 32.4% compared the same period in 2002/03. The aim is to develop and implement programmes in order to improve financial management, including the empowerment of schools and governing bodies.

The conditional grant of R7,423 million for the promotion of early childhood development (ECD) through pre-primary education phases out at the end of 2003/04 and will from part of the equitable share. However, continued provision for spaces for learners in their reception year/ Grade R through quality educational programmes will be made. The spending level is not satisfactory given the department's focus on ECD.³³

An objective of the department is to provide Grade R spaces in public ordinary schools in accordance with White Paper 5 on Early Childhood education. To give effect to this an increase in the number of subsidised Grade R delivery sites especially in the poorest areas has been achieved. As ECD teachers exit the system (retire, normal attrition, packages, etc.), these posts are abolished and replaced with a subsidy that is allocated to delivery sites. According to the ECD White Paper, delivery sites will receive per capita subsidies or a grant-in-aid, with the department still exercising its discretion as to which funding mechanism to use.

Learner Support Materials

The Norms and Standards Funding (NSF) was implemented during 2000/01 to mainly focus on non-personnel expenditure of those schools with the greatest needs (poorest of the poor). The importance of learner support materials (LSM) plays a vital role in ensuring that all learners in the Western Cape are fully equipped with the required textbooks, stationery and other teaching aids for the school year to be able to develop them effectively.

Changes in school curricula necessitate continuous textbook updates in order to meet requirements, seriously affecting learner support materials (LSM) backlogs. Most funds

³³ Conditional grants data from In-year monitoring system as at 31 July 2003.

saved on other items are utilised on LSM in order to reduce backlogs. At school level, no problems were experienced in the beginning of the 2003 school year with the delivery of LSM except for a few cases where books were out of print or not available. Funds have been earmarked specifically for LSM namely R66 million in 2003/04, R159 million in 2004/05 and R143 million in the 2005/06 MTEF years to enhance education outcomes.

Although clear guidelines are given to schools on the minimum amount to be allocated to LSM, public schools and especially section 21 schools have some discretion over LSM purchases.

The learners that are exempted from school fees in terms of the NSF are usually in the poorer communities where the NSF makes up for the exemption of school fees.

Spending per learner

It should be noted, however, that there has been a substantial increase in education expenditure per learner in total across provinces since 2000/01 to 2002/03. Notwithstanding this, the gap among provincial education departments in average per learner expenditure is still wide.

Factors affecting the decrease in expenditure per learner are that the department in relation to other provinces has higher average salaries because of larger proportions of better-qualified educators. Another factor is the greater administration cost or head office expenditure³⁴ in the Western Cape.

Spending per learner in the Western Cape used to be by far the highest of all provinces, but has fallen. In 2000/01 and 2001/02 the department spent the second most per learner and since 2002/03 the department spent the third most per learner. A factor affecting spending is the number of learners enrolled in a province. As noted earlier it is clear that there has been an increase in learner numbers that affected the spending per learner.

Adult Basic Education and Training

The Adult Basic Education and Training Act was enacted in 2000 and its main purpose was to improve literacy amongst adults, enabling them to improve themselves, and to assist with their possible entrance into fields of higher education. ABET centres are opened by communities themselves, and the department only supports the running of such centres.

There has been a substantial increase in the number of full-time equivalent enrolments from 5 755 in 2001 to 6 889 in 2003 in public adult education centres. The effectiveness of the adult education is evident in the constant increase in the pass rates' improvement from 26% in 2001 to 30% in 2002, with a target of 35% set in 2003.

³⁴ Source: Intergovernmental Fiscal Review, 2003 (Page 54)

Hostels

Hostels are managed to be financially self-sustaining. The department subsidises needy and indigent learners and pays the salaries of hostel personnel, whilst hostels retain their own income to cover the running costs. Allocations to hostels decreased in real terms as a result of a more effective and revised funding system where funds are paid over for learners' boarding rather than for catering.

Training for teachers

The phasing out of the remaining teacher education college, the Western Cape College, over three years began in January 2001, resulting in provision still being made for this college by the department until the calendar 2003 year end. Other teacher education colleges were incorporated into Higher Education Institutions from January 2001 as a result of the national Education Minister's declaration of the phasing out of teacher training colleges. It should be noted that the continued funding of the Western Cape College is for the provision of in-service training of teachers, hence a change in focus by the department. This is a pilot project aimed at empowering teachers already in the employ of the department, thereby improving much needed capacity.

Further Education and Training (FET)

The year 2003 has been declared the "Year of FET" in order to raise awareness of changes taking place in further education and training in schools, FET colleges and community learning centres.

To this effect the objective of the department is to create a vibrant FET system to equip youths and adults to meet the social and economic needs of the 21st century as well as improving learner performance with special focus on numeracy and literacy skills.

The department is developing market related programmes to enable learners to achieve nationally accredited qualifications.

The full-time equivalents increased drastically from 17 000 in 2001/02 to 26 041 in 2003/04. Actual expenditure in 2002/03 amounted to R132,707 million and the allocation decreased in real terms by 1.50% to R137,105 million in 2003/04.

Efficiency

The Province's above average expenditure per learner compared to the rest of the country has decreased from 21,74% in 1999/00 to 14,52% in 2002/03³⁵. The higher than average expenditure than the rest of the country can be contributed to, amongst other, high transportation cost of learners, hostel accommodation cost and the larger proportion of better-qualified educators. The percentage of the Department's total budget consisting of personnel expenditure has also decreased from 86.4% in 1999/00 to 83,8%

³⁵ Intergovernmental Fiscal Review 2003 (Table 4.4 page 54) and own calculations

in 2002/03³⁶. This is a welcoming trend as it relieves funding for other expenditure such as learner support material. It seems as if this ratio is under pressure as personnel expenditure as a percentage of the total education budget is on the increase in the outer years (2004/05 and 2005/06) of the current Budget.

The ratio educator to administration personnel members seems out of proportion with the average for the country. In the case of the Education Department it related to 3.3 (third lowest of the provinces) educators per administration personnel member, while the average for the country was 5.7 in 2001. This figure slightly improved to 3.4 in 2002³⁷.

From the above it seems that some efficiency gains have been made by the Education Department, however, there is room for improvement in the ratio of educators to administrative personnel.

Spending Pressures

The national Minister of Education recently announced that at least 60% of pupils would obtain access to free basic education, starting with the poorest 20% of learners in South Africa as from next year. A national norm based on a minimum package of R450 per learner will be allocated per learner for non-personnel recurrent items. This decision will impact on the MTEF budget once this policy decision is implemented as a national norm (costs and number of learners affected).

The following is a list of spending pressures in education, without elaborating on them as most has already been discussed above:

- Excess educators and non-educators in the system
- Dropping of the admission age of learners from 7 to 6 years old
- Increases in medical aid contributions
- Classrooms
- The introduction of the revised national curriculum from 2004
- The continued development of the further education and training (FET) band in schools and FET colleges
- Ongoing efforts to support early childhood development, Adult basic education and training and Education for learners with special education needs
- Ongoing efforts to effect redress through the application of available resources
- Improve efficiency in the education system by improving the "pass-through rate of learners" and the quality of education as a whole over time, and

³⁶ Intergovernmental Fiscal Review 2003 (Table 4.6 page 57)

³⁷ Intergovernmental Fiscal Review 2003 (Table 4.10 page 62)

Conclusion

The department of Education will play a cardinal role in the successful implementation of *iKapa elihlumayo*.

Despite apparent marginal real increases in the department's budget, their budget remains under tremendous pressure for the reasons listed in this chapter.

Recommendations

That all attempts be made to augment the department's budget to ensure that they can play the role they should regarding the future composition of the workforce of this Province.

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HEALTH

Introduction

Although Health Care 2010 was accepted as the new strategic plan of the provincial Department of Health, the approval was obtained after the compilation of the 2003/04 budget. The 2003/04 budget is thus a holding budget. As Health Care 2010 planning proceeds, the budget will be adjusted.

The Department's mission is to improve the health of all people in the Western Cape and beyond, by ensuring the provision of a balanced health care system. The goal is to be achieved in partnership with all stakeholders and within the context of optimal socio-economic development. In line with national objectives, the department has the following vision:

- Progressive building of the Primary health care services;
- Addressing intra-provincial inequities between regions;
- Increasing health management decentralisation;
- Upgrading regional hospitals;
- Downscaling tertiary services.

The service includes:

- preventative, promotive, emergency and curative services;
- rehabilitation and chronic care;
- effective interventions to reduce morbidity and mortality in the high priority areas of HIV/AIDS, tuberculosis (TB) and trauma;
- the delivery of tertiary health care to the Western Cape and neighbouring provinces utilising funding provided through the National Tertiary Services grant, and
- the provision of training facilities for health care workers and professionals in conjunction with the universities and technikons.

A budget of R4,291 billion (26.17% of the provincial budget) was allocated to the department for the 2003/04 financial year. Within this envelope the department must provide its service delivery as encapsulated in its vision and mission. Over the MTEF period the relative budget share decreases to 25.58% for 2004/05 and 24.72% for 2005/06.

Budget allocations were made to stabilise expenditure and to provide a platform for the implementation of the Healthcare 2010 strategy which aims to provide more affordable and efficient health care service. The funds are distributed amongst the different programmes within the uniform programme structure for the 2003/04 budget. The uniform structure was developed by the National Treasury in liaison with health departments in order to enable inter-provincial comparisons.

Funding

Funding for the vote comprises of 63.18% from the equitable share, 34.18% national conditional grants and 2.64% from own generated revenue.

Expenditure and budget trends

The trend comparison in Table 1 shows the expenditure performance of the department over the past 3 financial years, the budget for the current financial year (2003/04) and the subsequent MTEF years.

Table 1: Expenditure trend comparisons (2000-2001 – 2005/06)

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	98 229	116 495	120 923	243 751	90.05	207 723	220 571
District health services	876 701	951 988	1 018 644	1 172 216	8.50	1 204 566	1 254 799
3. Emergency medical services	151 481	131 673	152 910	181 338	11.81	174 233	181 312
4. Provincial hospital services	855 444	909 382	974 906	1 012 098	(2.12)	1 062 393	1 106 430
5. Central hospital services	1 275 645	1 346 722	1 476 201	1 527 009	(2.47)	1 692 107	1 752 411
6. Health sciences and training	50 364	58 833	65 381	75 583	8.99	79 921	83 473
7. Health care support	58 825	65 924	66 597	79 538	12.60	83 609	87 106
Total	3 366 689	3 581 017	3 875 562	4 291 533	4.40	4 504 552	4 686 102
Standard item							
Personnel	2 083 028	2 246 478	2 407 928	2 617 014	2.47	2 753 929	2 869 325
Administrative	55 594	67 012	79 275	96 014	14.19	101 159	105 391
Stores and livestock	568 681	601 823	711 344	630 087	(16.49)	749 733	777 024
Equipment	49 197	61 319	61 277	113 004	73.87	127 798	125 774
Land and buildings							
Professional and special services	163 157	198 342	230 836	391 917	60.07	347 657	363 022
Transfer payments	431 752	402 157	379 404	388 620	(3.43)	415 482	432 336
Miscellaneous	15 280	3 886	5 498	54 877	841.05	8 794	13 230
Total	3 366 689	3 581 017	3 875 562	4 291 533	4.40	4 504 552	4 686 102
Economic classification							
Current	3 321 522	3 517 098	3 824 191	4 191 887	3.35	4 390 842	4 575 005
Personnel	2 083 028	2 246 478	2 407 928	2 617 014	2.47	2 753 929	2 869 325
Transfer	426 651	389 400	377 012	386 219	(3.42)	413 373	430 139
Other current	811 843	881 220	1 039 251	1 188 654	7.84	1 223 540	1 275 541
Capital	45 167	63 919	51 371	99 646	82.88	113 710	111 097
Acquisition of capital assets	40 066	51 162	48 979	97 645	87.96	111 601	108 900
Transfer	5 101	12 757	2 392	2 001	(21.13)	2 109	2 197
Total	3 366 689	3 581 017	3 875 562	4 291 533	4.40	4 504 552	4 686 102
Difference		214 328	294 545	415 971		213 019	181 550
Nominal Growth %		6.37	8.23	10.73		4.96	4.03
Real Growth %		(0.23)	(2.42)	4.40		(0.56)	(1.06)
Average annual nominal growth % (2000/01 – 2003/04)				8.43			
Average annual nominal growth % (2003/04 – 2005/06)							4.5
Average annual real growth % (2000/01 – 2003/04)				0.55			
Average annual real growth % (2003/04 – 2005/06)							(0.57)

As can be seen from Table 1, the department's spending increased by 4.40% in real terms or approximately R416 million (nominal) from 2002/03 actual to 2003/04 budget. The significant increase in the Administration programme is due to deferred payments and a provision for Local Authority backlogs totalling approximately R92 million. By discounting this once-off provision real growth in the budget amounts 3.32%. However this also includes the shifting of funds from Vote 1: Provincial Administration: Western Cape to this department of Information Communication Technology (ICT) end user equipment, which includes provision for the Hospital Information System (HIS).

In order to provide quality health care, sufficient medicine and medical supplies are of paramount importance. Expenditure on Stores and Livestock increased by 12.15% on average in real terms between 1998 and 2002. However, between 2002 and 2003, a real decline in expenditure is evident. The 2003/04 budget is 16% (real) or R81 million (in nominal terms) less than the 2002/03 actual expenditure. Given the pressures currently being experienced due to inflationary effects, it is questioned why such a drastic decrease occurred. Noted that the main dip is in programme 5: Central hospital services which is part of a less successful strategy to decrease personnel spending in central hospitals. There appears to be a disjuncture between the demand for services, medicines, etc. and the budget provision for 2003/04.

Assessment per programme (80/20 principle)

A major portion of the 2003/04 budget has been allocated to District health services, Provincial hospital services and Central hospital services (86% of the budget). The essence of Healthcare 2010 is to treat patients at the appropriate levels of care. In order for this to materialise, the department should reshuffle staff between the various programmes. In line with Health Care 2010 funding is systematically shifted from central hospitals to District health services. Personnel comprises 61% of the budget, whereas the Stores and livestock item makes up 15% of the budget.

Strategic Plan link

For the 2003/04 budget, the department implemented uniform programme structures, which were developed by the national department of Health in consultation with the National Treasury, provincial health departments and provincial treasuries.

Measurability of Key Measurable Objectives (KMO's)

As in the case of the Strategic Plan, the health sector also introduced uniform KMO's. These standardised KMO's give a fair reflection of the department's operations.

Changes to baseline/Shifts

- **In-year shifts**

The department has adopted "Healthcare 2010" as the new strategic framework for the next six years. To this extent, the 2003/04 budget allocation can be regarded as a "holding budget" until such time as "Healthcare 2010" has been approved by

Cabinet.³⁸ Cabinet approval was obtained in March 2003. The Department is in the process of restructuring its services to bring it in line with Health Care 2010.

- **HIV/Aids Adjustment**

Within Healthcare 2010 it was indicated that an allocation of R540 million for HIV/Aids was needed to ensure the financial viability of Healthcare 2010. Action should thus be taken to ensure that the aforementioned is achieved. This department also co-ordinates the HIV/Aids programme in the Province.

- **National Tertiary Services Grant**

Based on an evaluation conducted by the department at the academic hospitals, it was indicated that actual activities exceeded the prescribed number of activities for the 2002/03 financial year by far. An estimation has indicated that the grant should be increased by approximately R54 million to cater for the current workload (2003/04). A calculation concluded during July 2003 indicated that the services were under funded by at least R36 million in 2002/03.

- **Increased Own Revenue**

Apart from implementing a new billing computerised system at the academic hospitals, the department also provided a new system (Delta 9) at 33 other hospitals to ensure effective billing. The uniform patient fee schedules as determined nationally has also been implemented and the department is of the opinion that revenue trends should manifest itself during the next six months. Information to date has allowed for a revenue projection of R28 million above the 2003/04 baseline and the expenditure baseline should be increased accordingly.

- **Payment from Justice department**

The department renders a service to the department of Justice where certain patients are referred for observation and evaluation before criminal proceedings are instituted. The department of Justice has indicated that patients referred to Psychiatric hospitals in this regard will be funded in full. The department expects payments to the amount of R4 million during the 2003/04 financial year.

³⁸ Budget 2003. (p192)

Non-financial vs financial information

Table 2: Hospital Admissions

Hospital level of care	Admissions in 1997/98	Separations in 2002/03**	1998 vs 2003
Academic	125 113	111 976	(13 137)
Regional	125 334	138 991	13 657
District	96 867	129 395	32 528
Total	347 314	380 362	33 048

** Admissions are no longer collected. The department use separations i.e. Deaths + Discharges + Transfers out.

The changed definition makes these comparisons not strictly comparable.

There was a decline in the admission to academic hospitals combined with an increase in patients making use of district and regional hospitals from 1997/98 to 2002/03. The decrease in the number of overall hospital admissions at academic institutions is in line with the departmental strategy to refer patients to the appropriate level of care.

Table 3: Hospital beds

Hospital level of care	Hospital beds in 1997/98	Hospital beds in 2002/03	1998 vs 2003
Academic	3 023	2 453	(570)
Regional	2 045	1 408	(637)
District	1 636	1 606	(30)
Total	6 704	5 467	(1 237)

The number of academic beds declined from 3023 to 2453 between 1997/98 and 2002/03, implying a decrease of 570 beds over four years. In the same period, the number of beds in regional hospitals declined from 2045 to 1408 and in district hospitals from 1636 to 1606.

Table 4: Bed occupancy rates

Hospital level of care	Bed occupancy rate in 1997/98 %	Bed occupancy rate in 2002/03 %	1998 vs 2003 %
Academic	71	79	8
Regional	85	103	28
District**	70	65	(5)

** The district hospitals include Provincial Aided hospitals that provide district hospital level of care.

Bed occupancy rates improved at all levels except the district level from 1998 to 2003. A major improvement in occupancy rates in academic hospitals was obviously related to

the sharp decline in the number of actual beds, which was larger than the decrease in the number of admissions. District hospitals could become more efficient in terms of bed occupancy, whereas it may be difficult to further improve on occupational efficiency in the academic hospitals. As no disposal of hospitals have taken place, it seems logic that a number of hospitals have spaces that stands empty and which are not utilised properly.

Primary health care visits

Access to primary healthcare in the Western Cape increased as the number of visits per person per year increased. At 3.5 visits per capita, primary healthcare utilisation was above the national target of 2.9 visits per capita. The real cost of Primary health care (PHC) per headcount marginally increased between 2001 and 2002 from R37.95 to R38.04 in nominal terms, due to the medical inflation rate exceeding CPIX and PHC providers treating more complicated diseases in order to reduce referrals to higher levels of care.

Relationship with other programmes

There should be a close relationship between programmes within the vote, which should be reflected by the referral system as well as Healthcare 2010. There should also be a close relationship between some programmes at other votes such as social security at Social services and poverty alleviation. However, a deeper understanding is required before a proper discussion can be reflected.

Relationship with revenue

There should be a direct relationship between the number of patients admitted and the revenue collected. For the financial year ending 2002/03, the surplus revenue collected by the department amounted to R28 million of which R24 million (87%) was derived from hospital patient fees. It appears as if this trend will continue in the 2003/04 financial as well as the MTEF years.

Unauthorised expenditure

Table 4: Spending vs budget trends per programme (2002/03)

	Programme 1 Health Administration	Programme 2 District services	Programme 3 Hospital services	Programme 4 Academic services	Programme 5 Health sciences	Programme 6 Health care support
Budget	149 076	1 181 923	918 150	1 497 656	58 158	66 673
Expenditure	131 308	1 176 513	925 353	1 518 455	57 485	66 448
Variance	17 768	5 410	(7 203)	(20 799)	673	225

The budget on programmes 3 and 4 were exceeded by R7,203 million, R20,799 million (total R28,002 million respectively). The budget of the vote was exceeded by a total of R3,926 million (0.11%) for the 2002/03 financial year. These amounts are reported as unauthorised expenditure in terms of the Public Finance Management Act (PFMA). On

the standard items, stores and livestock and professional and special services were exceeded by R28,1 million and R7,3 million respectively.

The over-expenditure can mainly be attributed to patient loads, the devaluation of the Rand with increased inflation on medical and surgical sundries and pharmaceuticals in general as well as the utilisation of agency staff (nursing staff from service providers) as a result of the moratorium on the filling of posts.

Earmarked allocations

Table 5: Earmarked allocations

Purpose	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Medical equipment		40 000	42 040	43 890
Financial management improvement	9 509	10 070	10 624	11 091
HIV/AIDS	34 378	30 597	32 157	33 572
Day-to-day maintenance	5 000	5 245	5 481	5 722
Health equipment (exchange rate fluctuations)	5 894	6 424	6 882	7 185
Total	54 781	92 336	97 184	101 460

The appropriated amounts of R40 million in 2003/04, R42,040 million in 2004/05 and R43,890 million in 2005/06 have been provided for in the acquisition of medical equipment. These amounts should bring needed improvements to the quality and quantity of service delivery. The purchase of equipment should be encouraged, as there are expected efficiency gains for the department if they replace their old equipment with new.

Function shift between spheres of government

Given constitutional interpretations and associated acts or proclamations, the division of responsibilities regarding primary health care between the department of Health and municipalities remains a challenge. A trilateral task team consisting of representatives of the Provincial Treasury, Branch: Legal Services and the Department of Local Government, has been established to collaborate on drafting a practical and sustainable framework within which the transfer of powers and functions between provincial and local spheres of government should be managed. While at national level there is also task team looking at primary health care and environmental health care and the division of responsibilities and funding between the various role players.

The assignment of municipal health services to category A (metro), and category C (district) municipalities was formalised by a publication of a notice in the Government Gazette of 13 June 2003 with an implementation date of 1 July 2004. The narrow definition of municipal health services implies that this province has the responsibility for all primary health care services excluding environmental health services. Taking into account that municipalities spend substantial amounts on primary health care services,

the implementation of the narrow definition may cause municipalities to withdraw this funding leaving a funding gap that will have to be filled by the provinces.

No provision has been made for the financial impact of primary health services that were historically rendered by local authorities. This fact needs to be quantified. The local authorities maintain that from a constitutional perspective these services no longer fall within their competency to deliver.

The transfer of medico-legal services from the South African Police Services has not been finalised yet. The shift can only take place once the department has cleared the funding issues with Provincial Treasury and National Treasury. Money for the transfer of this function is variously on SAPS' budget and as a conditional grant to provinces on the budget of the National Department of Health. Currently, the department is recalculating its figures and the latest indications are that the department will take over the function from 1 April 2004.

The provincialisation of the Emergency medical services (EMS) should take effect on 1 January 2004. There is a strong commitment from the City of Cape Town (the only one outstanding) to get the transfer done.

With effect from 1 April 2002, the department of Health became responsible for the payment of claims for the patients in Westlake and New Kings hospitals for frail care services. The department of Social Services and Poverty Alleviation previously did this function. These patients were subsequently transferred to the Conradie Care centre and thus became the responsibility of the department of Health. The amount of R6,652 million for 2003/04 and R7,542 million for 2004/05 was transferred to the department of Health with effect from 1 April 2003.

Spending behaviour/patterns

The department has a history of marginally overspending their budget. For the 2001/02 financial year the overspending was 0.06% of the budget, while the figure for 2002/03 is 0.11%, largely as a result of medical inflation and the devaluation of the Rand. Over spending is also likely to occur during the current financial year, however, measures have been instituted to address and fund the current spending pressures.

Efficiency

The expenditure per capita, excluding conditional grants, as a percentage difference from the national average indicates that the Western Cape have moved from a high of 21,3% above the national average in 2000/01 to 14,7% in 2002/03. This trend is set to continue, as indications are that this will even further decrease to 12,8% by 2005/06³⁹. The aforementioned calculations are based on the 1996 Census figures. If the calculations are based on 2001 Census figures, than Province's per capita spending on health would be even closer to the national average. The number of personnel in the health sector also decreased from 26 576 in 1998/99 to 23 977 in 2003/04⁴⁰. As the

³⁹ Intergovernmental Fiscal Review 2003 (Table 5.3 page 77)

⁴⁰ Intergovernmental Fiscal Review 2003 (Table 5.5 page 79)

patient load appears to increase, the deduction can be made that Health and in particular their personnel have and is becoming more efficient.

Further important indicators of efficiency are the average length of stay (days) and bed occupancy (percentage). The average length of stay for district hospitals in the Western Cape are 2,6 days (the lowest in the country) while the average for the country is 4,2 days. The bed occupancy is at 65,0% (second highest) in the Western Cape while the average for the country is 57%⁴¹. From the aforementioned it appears as if the Health Department are reasonably efficient at district hospital level, however, it also indicates that there is room for improvement regarding the occupancy of district hospitals. It is the intention of Health Care 2010 to treat the patients at most appropriate level, which means that a greater percentage of patients should be treated at the lower end of the health service delivery chain.

Pressures

The standard items Stores and livestock and Professional and special services at the Central hospital service programmes are under pressure. This was already indicated in the Treasury's assessment of the draft health budget in February 2003. However, the department indicated at that stage, as well as in Budget statement 2, that the budget is a holding budget and that they will address it after Cabinet has approved Healthcare 2010 by shifting services and staff. The department is in the process of restructuring its services.

The under funding, amounting to R36 million (2002/03), of the National Tertiary Services grant is according to the service outputs of the department. An evaluation conducted at the academic hospitals revealed that the hospitals exceeded the prescribed activities for the 2002/03 financial year by far. An estimation has indicated that the grant should be increased by at least R54 million to cater for the current workload. A calculation concluded during July 2003, indicated that the services have been under funded by at least R36 million in 2002/03.

The President has indicated that free services be made available to the disabled from 1 July 2003. The extent of this concession is not yet known and has therefore not been taken up in the 2003/04 budget. Preliminary calculations indicated a R39 million spending pressure in this regard.

In order to attract staff to rural areas as well as the retention of scarce skills, a policy decision in this regard has not yet been finalised. The implication of this policy change, which would amount to R24 million has not been addressed in the budget.

According to a study performed at the Mowbray Maternity hospital, bordering provinces are making use of the services of the department to a large extent. The Province is funded for tertiary services by means of conditional grants but not for primary and secondary services rendered to patients of neighbouring provinces. It is the department's intention to approach the National Treasury to define a mechanism to fund service loads

⁴¹ Intergovernmental Fiscal Review 2003 (Table 5.19 page 90)

on the health services resulting from other provinces "citizens" making use of its services.

Once-offs

The department settled some of the deferred payments of R48 million during the month of May 2003 by a payment of R27 million to municipalities in June 2003.

Efficiency investigations

During 2002/03, the Auditor-General conducted an efficiency investigation with regard to the supply-chain management (equipment) within the department. Certain deficiencies were identified, inter alia:

- Sufficient funds were not made available for the purchasing of new equipment or the replacement of condemned equipment,
- A standardised system to determine the needs and priorities for equipment, by the various hospitals does not exist and needs are not aggregated to determine the total needs per equipment item,
- Acquisition of equipment was not centralised at head office level,
- Hospital tender committees did not consist of members with the necessary skills and expertise.

The Auditor-General is currently conducting an efficiency investigation with regard to consumables. This investigation should be completed by December 2003 and covers the broad spectrum of items across the various service delivery institutions.

Conditional Grant Trends

The department's activities are funded through seven conditional grants, the largest being National Tertiary Services to fund medical services at specialist training institutions.

Table 6: Conditional grants spending performance: 2003/04

Conditional grants	Adjustment Budget 2002/03	Actual 2002/03	Variance	Total % spent of 2002/03	Spending till end of July 2002	Spending till end of July 2003	Spending till end of July 2002	Spending till end of July 2003
	R'000	R'000	R'000		Spending R'000	Spending %	Spending R'000	Spending %
National tertiary services	1 047 438	1 047 438		100.00	343 504	32.8	358 908	33.3
Professional training and development	314 696	316 364	(1 668)	100.00	102 688	32.5	104 897	33.3
Integrated nutrition programme	28 789	28 789	5 864	100.00	5 766	20.0	6 965	20.1
Hosp.man. and qual. Improve	19 000	19 000		100.00	2 156	11.3	1 347	8.2
HIV/AIDS	11 713	11 672	41	99.65	1 792	15.4	3 412	14.1
Total	1 423 304	1 423 263	41	100.00	477 191	32.5	480 802	31.0

The department's performance on conditional grants is commendable as it managed to almost spend it in full. As mentioned earlier the department was actually underfunded by R36 million on national tertiary services grant given the required service envelope to be rendered as per the agreement with National Health.

Conclusion

The total 2003/04 budget of the department shows a real increase compared to the 2002/03 actual expenditure.

It appears that the department's personnel budget provides for the full increase in personnel expenditure. A great concern is the pressure on non-personnel expenditure in view of the fact that these items were under tremendous pressure during the 2002/03 financial year.

It appears that the shifts envisaged under the heading "Outlook for 2003/04" in Budget Statement 2 of the department, addresses the major areas of budget pressure and will facilitate a shift towards a more affordable and efficient health care service as envisaged in Healthcare 2010. The department should be supported in making the required shifts in terms of Health Care 2010.

The special provision for equipment should go some way in addressing the equipment backlog.

The department's budget remains under pressure, especially over the MTEF years.

Recommendations

The department's allocation should at least remain constant in real terms to cater for increase patient loads due to migration and the impact of HIV/aids.

Influence should be brought to bear to ensure that the national government fully fund their requirements at the central hospitals.

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SOCIAL SERVICES AND POVERTY ALLEVIATION

Introduction

The Department's mission is to provide a social safety net for the poor, the vulnerable and those with special needs. In pursuing this mission the department intends to realise its vision of a self-reliant society.

The core functions of the department are:

- The provision of a cash benefit (social grant) to those who are eligible in terms of current legislation.
- The rendering of developmental welfare services to those who find it difficult to meet their own welfare needs due to their circumstances.
- Poverty alleviation.

The Department delivers services through 14 district offices and 8 institutions across the Western Cape. The Department also intends to fund a total of 1 353 welfare agencies/partners during 2003/04.

The Department's budget constitutes 22.94% of the 2003/04 provincial budget. Over the MTEF period the relative budget share increases substantially to 24.56% and 24.99% for 2004/05 and 2005/06 respectively. The department, along with Community Safety has a prominent role to play in respect of social integration by addressing embedded crime such as gangsterism in a coherent manner through developmental social service delivery.

During the 2002/03 financial year the Department's budget came under severe pressure. The Child support grant and the Disability grant saw a take-up rate that was much higher than initially envisaged. In addition, the value of the grants was adjusted for inflation. Consequently, the function Social security's share of the total departmental budget increased to over 85% thereby leaving less than 15% for other welfare services.

Funding

Funding for the vote comprises of 97.75% from the equitable share, 2.13% from national conditional grants and 0.11% from own generated revenue.

Expenditure and budget trends

The trend comparison in Table 1 below shows the expenditure performance of the department over the past three (3) financial years, the budget for the current financial year (2003/04) and the subsequent MTEF years.

Table 1: Trend comparison (2000/01 – 2005/06)

Expenditure trends							
Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	131 847	172 914	195 610	255 284	23.04	273 274	286 082
2. Social assistance grants	1 806 832	1 953 196	2 676 319	3 210 128	13.09	3 754 990	4 153 512
3. Social welfare services	261 223	249 652	252 303	249 597	(6.73)	250 182	250 674
4. Development and support services	4 705	7 863	13 034	42 815	209.70	40 727	41 012
5. Population development and demographic trends	1 577	1 184	1 208	5 000	290.24	5 213	5 540
Total	2 206 184	2 384 809	3 138 474	3 762 824	13.04	4 324 386	4 736 820
Standard item							
Personnel	115 075	129 355	146 826	176 111	13.09	198 203	210 660
Administrative	19 608	19 487	19 604	31 127	49.70	32 916	33 850
Stores and livestock	6 770	7 122	6 949	10 898	47.86	10 907	11 217
Equipment	3 707	6 517	4 173	8 879	100.61	6 850	6 733
Land and buildings			661	892	27.23	932	973
Professional and special services	60 680	74 148	104 342	140 386	26.85	146 415	158 298
Transfer payments	1 998 637	2 148 003	2 855 672	3 394 531	12.07	3 928 163	4 315 089
Miscellaneous	1 707	177	247		(100.00)		
Total	2 206 184	2 384 809	3 138 474	3 762 824	13.04	4 324 386	4 736 820
Economic classification							
Current	2 204 207	2 380 292	3 135 303	3 753 962	12.89	4 320 198	4 732 741
Personnel	115 075	129 355	146 826	176 111	13.09	198 203	210 660
Transfer	1 998 637	2 148 003	2 854 390	3 391 853	12.03	3 928 163	4 315 089
Other current	90 495	102 934	134 087	185 998	30.78	193 832	206 992
Capital	1 977	4 517	3 171	8 862	163.49	4 188	4 079
Acquisition of capital assets	1 977	4 517	1 889	6 184	208.65	4 188	4 079
Transfer			1 282	2 678	96.95		
Total	2 206 184	2 384 809	3 138 474	3 762 824	13.04	4 324 386	4 736 820
Difference		178 625	753 665	624 350		561 562	412 434
Nominal growth %		8.10	31.60	19.89		14.92	9.54
Real growth %		1.40	18.66	13.04		8.87	4.17
Average annual nominal growth % (2000/01 – 2003/04)				19.48			
Average annual nominal growth % (2003/04 – 2005/06)							12.20
Average annual real growth % (2000/01 – 2003/04)				10.79			
Average annual real growth % (2003/04 – 2005/06)							6.75

When comparing actual to actual expenditure in Table 1 above it can be seen that expenditure increased in real terms by 18.66% or almost R754 million between 2001/02 and 2002/03. Similarly, real expenditure increased by 13.04% or R624 million between 2002/03 and 2003/04. This unprecedented growth in expenditure can be attributed to the rapidly and continuously increasing take-up rates of the Child support grant and the Disability grant since November 2001. In addition, inflation adjustments also have had to

be accommodated. Furthermore, the average annual real growth in expenditure from 2000/01 to 2003/04 is 10.79% compared to the envisaged increase of 6.75% in real terms from 2003/04 to 2005/06 financial years.

Trends per programme

Administration, Development and support services and Population development and demographic trends are the main programmes where expenditure has increased significantly. Looking at the relationship between programmes, it becomes clear that the social security budget crowds out the developmental budget of the department. Legislatively mandated grants use up funding leaving little for other welfare services.

The 23.04% real terms growth of Programme 1: Administration between 2002/03 and 2003/04 is due to the expansion of the department's establishment. The department is currently restructuring its establishment, which will result in an increase in expenditure for the remainder of the financial year and MTEF years.

The expenditure growth in Programme 4: Development and support services of 209.70% in real terms from 2002/03 actual to 2003/04 budget is mainly due to the function shift of Poverty alleviation from Vote 1: Premier, Director-General and Corporate Services to the department and also the conditional grant in respect of Food Relief (R20,034 million in 2003/04) to provide food relief to vulnerable individuals and households.

The growth in Programme 5: Population development and demographic trends expenditure of 290.24% in real terms from 2002/03 actual to 2003/04 budget is mainly due to the increase in expenditure as a result of a research project to determine the impact of gambling on beneficiaries of social grants and the allocation in respect of the Policy Component whilst the expenditure occurs under Programme 3: Social welfare services.

Trends per Standard Item

Administrative, Stores and livestock and Equipment are the main standard item expenditure that increased in real terms by 49.70%, 47.86% and 100.61% respectively.

The increase in the standard item Administration is mainly due to the expansion of the department's establishment resulting in an increase of staff numbers and related expenditure.

The increases in Stores and livestock and Equipment standard items are due to costs incurred, ranging from communication to personnel including transport and equipment.

Professional and special services increase are directly linked to the increase in social grant beneficiary numbers as the service providers are paid a fixed tariff per beneficiary. However, the annual tariff gets adjusted for inflation (CPIX index), which also contributes to the increase.

Trends per Economic Classification

The department's expenditure is mostly of a current nature. The current expenditure by far outweighs the capital expenditure in the department. The biggest part of the budget is allocated to transfers under current expenditure. The transfer payments constitute the largest outflow. Capital expenditure increased in real terms by 163.49% from 2002/03 (actual) to the 2003/04 budget. This is mainly due to the decentralisation of information technology end-user equipment procurement to departments. This also serves to strengthening accountability in asset management.

Assessment per programme (80/20 principle: main delivery (substance/focal) programmes)

Programme 2: Social assistance grants

The objective of the Social assistance programme is to provide for the payout of various grants to qualifying individuals. Among the grants that are paid under this programme is the Child support grant (R160 per month), Care dependency grant (R700 per month), the Disability grant (R700 per month) and Old age grant (R700 per month). Grant values presented here are those as at October 2003.

Social assistance is regulated by legislation and policy changes at national level and has been identified as a tool to fight poverty within the Province. By increasing the take-up rate of eligible persons, many households could potentially be lifted from abject poverty.

Table 2: Social assistance expenditure

Sub-programme	2000/01	2001/02	2002/03	2003/04	% Change Voted to Est. Actual	2004/05	2005/06
	Actual	Actual	Actual	Voted		MTEF	MTEF
	R'000	R'000	R'000	R'000		R'000	R'000
1. Administration	57 150	54 470	255 056	87 896	(67.51)	89 029	89 984
2. Old age	927 371	976 741	1 146 253	1 303 685	7.23	1 407 995	1 517 084
3. War veterans	11 040	9 504	9 166	8 532	(12.24)	7 387	6 402
4. Disability	588 975	658 165	845 607	1 047 575	16.80	1 199 412	1 250 939
5. Grants-in-aid	17	13		6 034		6 034	6 034
6. Foster care	91 854	98 736	123 299	139 170	6.42	145 952	160 525
7. Care dependency	18 165	27 147	37 294	56 627	43.16	65 507	83 878
8. Child support grant (0-6)	109 915	126 681	313 106	499 390	50.37	655 349	706 472
9. Child support extension grant (7-14)				57 355 ^a		174 461	328 330
10. Relief of distress	2 345	1 739	6 361	3 864	42.73	3 864	3 864
Departmental totals	1 806 832	1 953 196	2 736 142	3 210 128	10.61	3 754 990	4 153 512
Standard item							
Current	1 806 815	1 950 945	2 735 943	3 209 604	10.60	3 754 966	4 153 488
Personnel	9 511	1 712	2 970	5 091	61.61	5 745	6 204
Transfer	1 749 682	1 898 726	2 654 078	3 113 532	10.60	3 649 361	4 036 149
Other current	47 622	50 507	78 895	90 981	8.72	99 860	111 135
Capital	17	2 251	199	524	148.26	24	24
Acquisition of capital assets	17	2 251	199	524	148.26	24	24
Transfer							
Total standard item	1 806 832	1 953 196	2 736 142	3 210 128	10.61	3 754 990	4 153 512

Table 2 above illustrates the expenditure trend for the Social assistance programme up to 2005/06. There is a nominal increase in spending of 8.10% from 2000/01 to 2001/02 which increases significantly from 2001/02 to 2002/03. Furthermore, the spending increases from 2002/03 to 2003/04 by 10.61% due to the phasing out of the old State maintenance grant and the introduction of the Child support grant. This is attributed to the phasing out of the old State maintenance grant and the introduction of the new Child support grant. From 2001/02 to 2004/05 there is a nominal increase of 11% in budgeted expenditure, again showing the importance of this programme as a tool to fight poverty (alleviation). This now pales into insignificance given current expenditure trends and future projections.

Programme 3: Social welfare services

The aim of the Social welfare services is to provide effective and qualitative developmental social welfare services to poor and vulnerable individuals and communities by facilitating policies, funding, guidance and support to Non-profit Organisations (NPO's) and other social welfare service providers.

Due to the significant increase in the allocation in respect of social assistance grants from 2000/01 to 2003/04 financial years, no funding is available for this programme. In real terms there is a sharp decline in expenditure over this period, which puts the sustainability of this programme under pressure.

Programme 4: Development and support service

The purpose of the Development and Support service programme is to contribute towards an enabling environment in which communities and civil society organisations can be mobilised to participate in social development processes.

Table 3: Development and support service expenditure

Sub-programme	2000/01 Actual R'000	2001/02 Actual R'000	2002/03 Actual R'000	2003/04 Voted R'000	% Change Voted to Est. Actual	2004/05 MTEF R'000	2005/06 MTEF R'000
1. Administration			2 788	2 260	(23.57)	2 369	2 516
2. Youth development			500	500	(5.72)	500	500
3. HIV/Aids		983	2 107	5 462	144.41	5 721	5 966
4. Poverty alleviation	4 705	6 880	23 437	10 881	(56.23)	11 103	10 996
5. Food relief grant				20 034		20 034	20 034
6. NPO and welfare organisation development				3 678		1 000	1 000
Departmental totals	4 705	7 863	28 832	42 815	40.01	40 727	41 012
Standard item							
Current	4 705	7 763	28 832	40 137	31.43	40 727	41 012
Personnel		852	424	1 366	203.75	1 475	1 593
Transfer	4 705	5 846	26 044	36 877	33.50	37 358	37 496
Other current		1 065	2 364	1 894	(24.46)	1 894	1 923
Capital		100		2 678			
Acquisition of capital assets		100					
Transfer				2 678			
Total standard item	4 705	7 863	28 832	42 815	40.01	40 727	41 012

Table 3 above shows expenditure for the Development and support services programme. This programme has increased in real terms by 56.76% 2000/01 to 2001/02 and continues to increase by 230.61% from 2001/02 to 2002/03 and 40,01% from 2002/03 actual to 2003/04 budget, as a result of restructuring and the previous stagnation in subsidies. Funds to welfare organisations were not being distributed equitably and as a result the National Department of Social Development devised a welfare financing policy to distribute resources equitably across welfare organisations. This policy, however, is incomplete as costing models and mechanisms are still to be developed. In the meantime the Western Cape started with a process of directing existing subsidies to the most vulnerable communities – a process that will be phased in over a couple of years.

During the 2001/02 roll-over process, money was made available to reduce the impact on beneficiaries of the phasing out of the old State Maintenance Grant. For the current financial year a real decrease is evident. From current projections over the MTEF it appears that this trend is set to continue.

It would thus appear that the 80:20 split between Social assistance grant and Development and support services delivery, alluded to earlier, is becoming more unattainable. The importance of Development and support services delivery in our current society should not be underestimated as it can also be used as a tool to eradicate poverty. Because of the overbearing burden that the Social assistance grants place on the department's budget it appears that there is a "crowding out" effect on this programme.

Programme descriptions vs KMO's vs allocation magnitude

The department's programme descriptions versus the key measurable objectives are relatively in line with the respective budget allocations. During 2003/04 the National Treasury, in consultation with the social sector and provincial treasuries, developed changes to budgeting within programme structures in order to make inter-provincial comparisons possible. The department is currently in the process of aligning the organisational structure in accordance with the budget structure (programme structures) and should be in place by 1 April 2004.

Child support grant

It was decided by the National Cabinet in 1997 to phase out the State Maintenance Grant (SMG) over a three-year period starting in April 1998 and terminating at the end of March 2001, and to replace it with the Child Support Grant (CSG). The SMG was reduced on an annual basis by R100 from R300 per child to zero in April 2001. The aforementioned policy decision also explains the decrease in social assistance expenditure as the CSG was introduced at R100 and increased to R160 by April 2003.

Furthermore, because of the fact that the SMG was more beneficial to the applicant, the initial take-up rate for the CSG was very slow. A vigorous marketing campaign to create awareness of the new CSG has, however, seen an unremitting increase in expenditure from 2001/02 to 2002/03 and an unabated increase in the take-up rate from April 2000 to

the present. Regulatory changes with effect from 1 December 2001 amended the threshold income to qualify for a grant to that of the income of the primary care-giver (if not married) as opposed to household income, increasing grant take-up further.

Table 4: CSG Growth trends (excluding the extension from 7 years to under 9 years)

Month	Year	Children	Targets	(Over)/ Under
April	2000	9 365	27 900	18 535
April	2001	52 274	51 750	(524)
April	2002	137 830	74 970	(62 860)
April	2003	205 205	90 000	(115 205)
October	2003	217 287	-	-

On implementation of the CSG, the National Department of Social Development set annual targets up to April 2003, based on Census 96 information, for the potential number of children that would be eligible for this grant. In 2000/01 targets were higher than the number of children actually receiving the grant. However, in 2001/02, the target nearly doubled and in the current financial year, the national target (90 000 by 31 March 2003) has already been exceeded by 100% and the number of grantees continues to grow. This poses a problem not only to this department but also to the province's budget, as there are insufficient funds to address the situation.

Currently the Western Cape Provincial Treasury, the Department of Social Services, the National Treasury and National Department of Social Development are in consultation to find a solution to this crisis. It is feared that the financial implications of this situation will continue to have a negative impact over the MTEF budget years as "conservatively" set take-up rate targets and related expenditure have been built into them. For 2002/03 an over expenditure of approximately R70 million is expected on this grant alone. It is very difficult to determine the upper limit with regard to the potential number of eligible children for the Province, mainly because of a lack of proper demographic information, migration patterns between this and other provinces and regulatory changes impacting on eligibility status. According to recent analysis, approximately 624 000 children fall within the age group 0 – 6 years (based on 1996 census) within the Western Cape. By the end of August 2002, 30% of this total were already receiving the CSG. Poverty and income indicators would seem to suggest a estimate of 50% or 312 000 of the child population being potentially eligible for the CSG.

The extension of the CSG up to the age under 14 years is currently phased in (2003/04 up to under 9 years, 2004/05 up to under 11 years and 2005/06 up to under 14 years) and is financed by means of a conditional grant.

Disability grant

The disability grant (DG) is paid to individuals who are physically and/or mentally disabled. Since December 2001 there has been a huge increase in the number of

disabled beneficiaries, attributable to nationally driven changes in the regulatory framework governing the disability grant effected on 1 December 2001. This increase has had a severe impact on the budget of this Department. The changes relate to the scrapping of the requirement for a pension medical officer or gatekeeper to review the assessments of general practitioners, which obviously led to a less stringent grant qualification process. Table 5 below sets out the number of disability grant beneficiaries.

Table 5: Disability grant beneficiary numbers

Month	Year	Beneficiary Numbers	% Growth
April	1999	89 257	
April	2000	89 960	0.79
April	2001	90 721	0.85
November	2001	93 249	2.79
April	2002	105 562	13.20
April	2003	125 468	18.86
October	2003	120 342	(4.09)

From Table 5 above it is apparent that there were no significant increases in the number of beneficiaries for this grant from April 1999 to November 2001. However, in a period of 5 months (November 2001 to April 2002) the number of beneficiaries increased by 13.20%, which stands in stark contrast to the previous two years. As mentioned earlier, nationally driven changes to the regulatory framework of the disability grant have caused unexpected expenditure for this department's budget in 2002/03, which is already struggling with the rapid take-up rate of the CSG.

It is also feared that if this trend of beneficiary numbers continues, it will have a negative financial impact on MTEF budgets as changes in the disability grant regulatory framework have not been factored into the MTEF budgets.

The decrease in beneficiary numbers from April 2003 to October 2003 is mainly due to the process the department has embarked on to cancel temporary disability beneficiaries, which in terms of 6 or 12 months have elapsed. However, this process was delayed a number of times due to non compliance with administrative processes which occurred, because SOCPEN did not produce the required notifications of cancellations. The latest development on this issue was the so-called Mashishi court case where legal action was brought against government.

The High Court of South Africa, Transvaal Provincial Division, issued a Court Order on 26 February 2003 interdicting the National Department of Social Development and the provinces to inter alia:

- Not proceed with the stoppages of the temporary disability grants until certain requirements were met.
- Re-instate the temporary grants of those persons whose grants were terminated during January and February 2003 (11 006 in the Western Cape), except in those instances where the termination was justified on lawful grounds and following a fair procedure.

However, the department is confident that they can comply with all the requirements, the cancellation and re-registration of those who qualifies.

Regulation 11 backpay

Regulation 11 of the Social Assistance Act, 1992, promulgated on 31 March 1998 in Government Notice R418, which states that a grant must accrue from the date of approval, was declared invalid by the High Court of South Africa and set aside, resulting in back-payments to qualifying applicants.

The implications of the above ruling is that, as from 1 April 1998, a grant must accrue from the date of application and not from the date on which it was approved. Because of this the Western Cape Social Services and Poverty Alleviation Department is obligated to compensate beneficiaries who have applied and qualified for grants since 1 April 1998 for losses suffered as a result of the implementation of Regulation 11.

On the grounds of the above ruling an amount of R175,508 million was made available to the Western Cape to fund the payment of arrears. Of this total an amount of R2,5 million was set aside for administrative costs related to the payment of arrears. The balance was to be used for the back-payment of the various social grants.

Changes to baseline/Shifts (trends)

During the current financial year, there have been no virements, shifts or additional allocations, which could affect the department's baseline allocation.

Roll-over requests in the excess of R72 million are currently being considered for approval. These funds mainly relate to poverty alleviation projects, assessment panels and so called Regulation 11 backpay.

Given the commitment to pay grant arrears to beneficiaries has not yet been completed and, the recent request to roll-over the unspent balance on the conditional grant. By looking at the grant in isolation, the balance to be rolled over would have been R121,579 million, but due to the grant pressures experienced during 2002/03, the underspending on the vote totals only R74,396 million. The request for ex post facto approval to section 24(3) of DORA, 2002, for the R47,183 million (R121,579 million less R74,396 million) utilised for other purposes during 2002/03, have been made and is currently awaiting approval.

Non financial vs financial information (including cost drivers)

By 1 April 2003 the department already had roughly 500 000 eligible beneficiaries on SOCPEN, compared to only 351 000 in the previous year. Projections indicate that the number of beneficiaries may increase to approximately 560 000 per month by the end of the 2003/04 financial year. The sharp growth in beneficiary numbers is accompanied by a sharp increase in expenditure, from R1,999 billion in 2000/01 to R3,392 billion in 2003/04.

Establishment of the Social Security Agency

The National Cabinet during October 2002 approved the establishment of a Social Security Agency. Parliament is currently considering legislation regarding the establishment of the afore-mentioned agency and amendments to the Social Security Act to this effect. This will mean that the social security function of budget will be shifted to the national sphere. The shift itself might take two or three years to take full effect.

Relationship

With other programmes/institutions⁴²

A liaison committee between the Department of Home Affairs and the department is functioning well in respect of transversal issues related to social security. The working relationship has promoted improved service delivery to social security beneficiaries.

In terms of its multi-purpose center programme the department has linkages with all affected provincial departments. The committee was established to co-ordinate the different roles and function in respect of multi-purpose centers.

The Department of Justice is the primary role-player in respect of the One-stop Child Justice Centre and liaison on this issue is ongoing.

The department also has linkages with other provincial departments in respect of poverty alleviation, HIV/Aids, gender, the Provincial Plan of Action for Children, youth at risk, the victim empowerment programme, improvement of maintenance and infrastructure, forensic auditing, and provincial internal audit. These linkages have been established to foster integration and coordination of services and good progress is being made.

With regard to Developmental social service delivery, it is important to note that the department, together with Community Safety, has a distinct role to play in respect of social integration through addressing embedded crime such as gansterism in a correct manner.

With revenue

Due to the backlogs with regard to the notifications of beneficiaries of grants, has resulted in an increase in revenue (interest) collected.

Irregular expenditure⁴³

During the 2002/03 financial year an irregular expenditure amounting to R63,741 million were incurred due to the payment of arrear Regulation 11 back payments to beneficiaries.

⁴² Source as per 2002/03 Annual Report

⁴³ Source as per department's 2002/03 Annual Report pg 46

Earmarked allocations

There is only one earmarked allocation for this department, which relates to the day-to-day maintenance amounting to R892 000 in 2003/04.

Function shifts between spheres of government⁴⁴

Currently, a task team consisting of national and provincial government are involved in the establishing of an Social Security Agency, where provinces could be asked to start a process of “ring fencing” and then to separate the functions of social assistance service delivery from social welfare services and subsequently transferring the social assistance budget to the national sphere in the 2004/05 financial year.

This shift of the function of social security grants administration and the management, financing and payment of beneficiaries to the national spheres requires the flow of significant funds and related resources, and by implication a review of the current fiscal policy arrangements between national Government and provinces.

Spending behaviour/patterns

The department has a history of underspending its allocated budget. For the 2001/02 financial year the underspending was only 0.98% of the budget, however, the figure for 2002/03 has increased to 2.32%. This increase is largely a result of a weak turn-out for Regulation 11 backpay as per previous discussion.

Efficiency

Social grants as a percentage of total social development expenditure reflects that in this Province it increased from 78,8% in 1999/00 to 84,4% in 2002/03⁴⁵. This compares well with the national average that increased from 83,2% to 87,2 over the same period. This means that the Department has a greater percentage of their total budget available to deal with other welfare services than their provincial counter parts. The increase percentage of social grants compared to the total budget is due to the sharp growth in social grant beneficiary numbers from 248 015 in April 1998 to 501 126 in March 2003, while at a national level it grew from 2 429 653 to 5 617 151 over the same period⁴⁶. The personnel expenditure for the Department only grew from R113 million in 1999/00 to R150 million in 2002/03⁴⁷, which means that the Department had to be more efficient. The cost to administer the grant in the Province is also the lowest of all the provinces at R16,73 (3rd party contractor). The national average is R24,28.

⁴⁴ Source as per documentation of Special 10x10 Social Development/Treasuries meeting

⁴⁵ Intergovernmental Fiscal Review 2003 (Table 6.3 page 99)

⁴⁶ Intergovernmental Fiscal Review 2003 (Table 6.7 page 104)

⁴⁷ Intergovernmental Fiscal Review 2003 (Table 6.9 page 106)

Pressures

The increases in expenditure over the financial years are due to the growth in beneficiary numbers as well as the annual increases for the amount in respect of social assistance grants.

For the past two financial years as well as the current financial year the social assistance grants allocation was and is under tremendous pressure due to the rapid increase in the take-up rate of Child support grants and Disability grants. Furthermore, the disability grant allocation was overspent amounting to R63 741 000 during the 2002/03 financial year. The department also estimates that the disability and child support grants allocation will be overspent by + R131,000 million in the current financial year (2003/04).

The department is also under tremendous pressure due to the significant increase in the allocation in respect of social assistance grant over the previous financial years. Funds were allocated to social welfare services only to sustain existing services resulting in a demand for services to increase on a daily basis.

Once offs

It has been envisaged that the Regulation 11 back payments would have been a once off payment during the 2002/03 financial year. However, by 30 April 2003 the department paid beneficiaries who have applied and qualified for grants amounting to R53,929 million and by October 2003 an amount of + R33 million will also be paid. The department indicated that by December 2003 the backlog in arrear payments should be finalised.

Efficiency investigations or work to be done

⁴⁸During 2002/03 the Auditor-General conducted an efficiency investigation with regard to social security grant application and registration processes. Certain deficiencies were identified and an intensive programme of corrective actions was instituted. The Auditor-General indicated that after the 2003/04 normal compliance audit, the effectiveness of the measures implemented to address the findings of the investigation for the 2002/03 financial year, will be reported. However, the department should maintain its oversight role regarding the SOCPEN/PERSAL interface and other similar interfaces with the salary systems of municipalities and state owned enterprises.

Trends conditional grants

The department manages three National Conditional Grants, namely the HIV/Aids (Community – based care) grant, the Child support extension grant and the Food Relief grant. A tabular display of the status of the spending on these grants is provided in table 6 below.

⁴⁸ Source as per department's 2002/03 Annual Report 53

Table 6: Conditional Grant spending performance : 2003/04

Conditional grants	Adjustment Budget 2002/03 R'000	Actual 2002/03 R'000	Variance R'000	Total % spent of 2002/03
Arrear Payments: Regulation 11	175 508	53 631	121 877	30.56
Financial Management: Improvement of	1 200	1 176	24	98.00
HIV/Aids	2 107	2 107	-	100.00
Total	178 815	56 914	121 901	31.83

Accounting for the costs related to the CSG Extension grant on FMS appears problematic. The department should assume the responsibility together with the relevant national government by initiating significant improvements to ensure the effective interface between FMS and SOCPEN.

Conclusions

If the current growth in Child support grant and Disability grant beneficiary numbers continues, Developmental social service delivery will be crowded out. Likewise, the growth rates will crowd out other services in the social service sector such as Education and Health and even other services in the Province.

Growth in beneficiary numbers should thus be contained by ensuring that only those who legitimately qualify receive the grants.

Notwithstanding the aforementioned, the importance of Developmental social service delivery should not be underestimated, as it will help the department to achieve its vision of a self-reliant society.

Recommendations

The department:

⁴⁹Must restructure the system to embrace the cost center model with regards to its district offices/facilities, which will increase responsiveness to community needs, improve accountability, and monitor whether government funds are used effectively and efficiently.

Must involve communities to ensure that only people who qualify for pensions and grants actually receive them.

Must assess the capacity, target groups and the degree of racial integration of welfare organisations funded by the department, to allow, if necessary, a direction of funding to areas of greater need in line with government's focus to serve the poorest of the poor.

⁴⁹ Source Western Cape Provincial Government 2003 Budget Speech

Must stay within the funding parameters set by the budget for social security or countenance the unpalatable crowding out of the rest of the Social Services function.

The department needs to get permission from the responsible national government to use the balance of the Regulation 11 moneys (R74,396m) to partly defray over expenditure in this financial year.

The department needs to actively propagate conditional grant conversion for all social security grants from 1 April 2004. A document in this regard should be prepared.

The department should play an active role in encouraging the responsible national government to improve the efficiency of the SOCPEN (social security grant) system.

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HOUSING

Introduction

The department's mission is to promote and facilitate the provision of adequate housing development. In pursuing this mission the department intends to eventually realise its vision of stable communities in well-developed residential environments.

The core functions of the department are to:

- (a) ensure that it is equipped with the necessary resources, skills and knowledge, to successfully fulfil its tasks,
- (b) provide approximately 20 000 housing opportunities per annum,
- (c) promote and facilitate the upgrading of informal settlements,
- (d) facilitate sound relations between lessors and lessees,
- (e) promote and facilitate quality settlements such as the rural human urban development,
- (f) promote integrated development in association with related departments, and
- (g) implement effective asset management policies.

The department's budget constitutes 3.17% of the 2003/04 provincial budget inclusive of the statutory amount. Over the MTEF period the relative budget share decreases to 3.10% for 2004/05 and 3.04% for 2005/06 of the provincial budget.

The department has undergone substantial internal organisational and programme restructuring in order to improve its cohesion, direction and service delivery. These changes, which took effect on 1 August 2002, are the result of the Provincial Government's departmentalisation initiative. For the 2003/04 budget the department implemented uniform programme structures, developed by the National Treasury in conjunction with the housing sector to make inter-provincial comparisons possible. The restructuring exercise makes comparisons to previous financial years very difficult, as no system based comparative figures are available.

As from 1 April 2003 the Western Cape Housing Development Fund expenditure transactions will run against the department's budget while the legislative process to disestablish the fund runs its course. The adoption of the new programme structure also makes accounting for expenditure easier.

Funding

Funding for 2003/04 for the vote comprises of 11.08% from the equitable share, 84.08% national conditional grants and 4.84% from own generated revenue.

Expenditure and budget trends

The trend comparison in Table 1, below, shows the expenditure performance of the department over the last 3 financial years, the budget for the current financial year and the subsequent MTEF years.

Table 1: Trend comparison

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	11 088	17 374	16 630	18 292	3.70	19 182	21 085
2. Planning and subsidy administration	19 523	20 682	20 774	25 939	17.72	28 285	29 977
3. Housing subsidy programme	341 466	325 861	378 860	423 282	5.34	446 035	473 136
4. Urban renewal and human settlement redevelopment	9 998	7 182	7 777	15 000	81.85	15 810	13 711
5. Old business (Rental housing)	8 405	10 154	10 274	36 040	230.73	37 357	37 955
6. Restructuring	881	793	833	977	10.58	351	0
Total	391 361	382 046	435 148	519 530	12.56	547 020	575 864
Standard items							
Personnel	25 774	31 430	35 973	42 345	10.98	45 745	48 886
Administrative	5 359	5 867	5 310	4 737	(15.89)	5 056	5 405
Stores and livestock	686	1 018	1 144	1 215	0.13	1 409	1 570
Equipment	1 708	1 698	644	1 960	186.94	1 979	1 867
Land and Buildings							
Professional and special services	5 756	6 688	5 111	30 811	468.36	30 806	31 109
Transfer payments	351 464	333 643	386 637	438 282	6.88	461 845	486 847
Miscellaneous	614	1 702	329	180	(48.42)	180	180
Total	391 361	382 046	435 148	519 530	12.56	547 020	575 864
Economic Classification							
Current	40 497	52 922	50 294	81 348	52.50	85 326	89 342
Personnel expenditure	25 774	31 430	35 973	42 345	10.98	45 745	48 886
Transfer payments (Cur)	1 795	5 922	1 972	1 500	(28.28)	1 500	1 500
Other current expenditure	12 928	15 570	12 349	37 503	186.33	38 081	38 956
Capital	350 864	329 124	384 854	438 182	7.35	461 694	486 522
Acquisition of capital assets	1 195	1 403	189	1 400	598.38	1 349	1 175
Transfer	349 669	327 721	384 665	436 782	7.06	460 345	485 347
Total	391 361	382 046	435 148	519 530	12.56	547 020	575 864
Year-on-year increases		(9 318)	53 102	84 382		27 490	28 844
Nominal Growth %		(2.38)	13.90	19.39		5.29	5.27
Real Growth %		(8.43)	2.70	12.56		(0.25)	0.12
Average annual nominal growth % (2000/01 – 2003/04)				9.90			
Average annual nominal growth % (2003/04 – 2005/06)							5.28
Average annual real growth % (2000/01 – 2003/04)				1.91			
Average annual real growth % (2003/04 – 2005/06)							0.17

The average annual nominal growth rate for the period 2000/01 to 2003/04 is an increase of 9.9% whereas in real terms it is 1.91%. This expenditure growth can be attributed to the allocation of the conditional grant, in the form of the Housing Subsidy received from the National Department of Housing. The purpose for the increase in the Housing Subsidy is twofold. Firstly, it is to reduce the housing backlog and secondly, to provide for an increase in the value of subsidies of between 26% and 54% in 2002/03 for cost escalations that can be attributed to inflation. The average annual nominal growth rate for the period 2003/04 to 2005/06 increases by only 5.28% and in real terms by 0.17% as the increase does not take inflationary or building cost escalations into account⁵⁰.

On aggregate, the department's spending increased in both nominal and real terms by 13.9% and 2.7%, respectively or approximately R53,102 million between 2001/02 and 2002/03. Expenditure increased in both nominal and real terms by 19.39% and 12.56%, respectively or R84,382 million between 2002/03 and 2003/04.

The significant increase of 230.73% in programme 5: Old business (Rental Housing) can be ascribed to R25 million that will no longer be channelled through the Western Cape Housing development fund as expenditure transactions will run against the department's budget.

Given the nature of the department's activity it follows that the department's expenditure designated capital is much larger in comparison to its current expenditure i.e. 84.34% vs 15.66% in 2003/04.

Programme descriptions vs Key measurable objectives

Programme descriptions vs the key measurable objectives read more or less the same. However, with the final implementation of uniform programme structures in 2005/06, uniform programme descriptions and key measurable objectives will also be developed for the uniform programme structures. This should address the current situation where the programme descriptions reading more or less the same as the key measurable objectives.

Assessment per programme (80/20 principle)

The programme, which receives the lion's share of allocated funds, is Programme 3: Housing subsidy programmes that consist of the National Housing Subsidy conditional grant only. This grant makes up 81.47% of the department's budget in 2003/04 and increases to 82.16% in 2005/06.

It is a capital transfer that is used to acquire sites/land to build the top structure i.e. the house.

⁵⁰ Report on Housing Subsidy scheme enhancements

Until 31 March 2003 the Housing Subsidy conditional grant flowed from the South African Housing Fund to the department via the Provincial Revenue Fund, from where it was transferred to the Western Cape Housing Development Fund. The housing subsidy was then paid to developers or municipalities out of the Western Cape Housing Development Fund. As from 1 April 2003 the Western Cape Housing Development Fund expenditure transactions will run against the department's budget while the legislative process to disestablish the fund is expedited.

Table 2, below, shows actual funds transferred to and spent by the Western Cape Housing Development Fund and what the department is budgeting for in 2003/04 and over the MTEF years.

Table 2: Housing expenditure

	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Actual Transfer to WCHDF	341 466	325 861	378 860			
Actual/Budgeted Expenditure	363 237	328 618	348 180	423 282	446 035	473 136
Difference		(34 619)	19 562	75 102	22 753	27 101
Nominal Growth %		(9.53)	5.95	21.57	5.38	6.08
Real Growth %		(15.80)	(2.13)	15.90	0.78	0.83

Expenditure in real terms decreased for the period 2000/01 to 2002/03 but increases in both real and nominal terms for the period 2003/04 to 2005/06. However, expenditure increased by an average annual growth rate of 5.23% for the period 2000/01 to 2003/04 and by 11.78% for the period 2003/04 to 2005/06.

In 2000/01 there was an over expenditure of R21,773 million that formed a first charge against the budget of 2001/02. Therefore the actual expenditure for 2001/02 was R306,845 million.

On the last working day of 2001/02 an amount of R64,4 million was paid over to the City of Cape Town and its Cape Town Housing Company in lieu of a payment that was made in terms of a Western Cape Housing Development Board decision allowing 70% of Institutional project payments to be made up-front. The decision to pay the Cape Town Housing Company was actually taken in 2000/01 but only implemented when the Cape Town Housing Company requested that the contract be amended in line with other Institutional projects that had received approval for 70% upfront payment.

In 2002/03 the under expenditure of R30,680 million is due to policy changes that came into effect on 1 April 2003. More detail on this is discussed in the section, "Non financial information vs financial information" below.

Changes to baseline/Shifts (trends)

The Department's request to carry forward an amount of R19,868 million to 2003/04 has been approved. This amount constitutes funds, which are to be utilised for the Human

Resettlement and Redevelopment Programme grant and the Housing Capacity Building grant.

Non financial vs financial information

The non financial information that is available at present to measure the performance of the department is the housing subsidy and the amount of houses completed. There are also different types of housing subsidies.

Table 3 shows the actual number of housing subsidies approved by the Department since 1994.

Table 3: Number of housing subsidies

1994 - 98	1998/99	1999/2000	2000/01	2001/02	2002/03	Total
67 144	35 849	28 170	23 505	22 307	26 182	203 157

For the period 1994 to 1998 only 67 144 subsidies were granted and as a result the number of housing opportunities created by the Housing Subsidy grant was small but improved from 1998/99. The number of subsidies granted after 1998/99 decreased annually but is starting to increase in 2002/03 with more funds being available.

With effect from 1 April 2003 there was an increase in the housing subsidy in the categories according to the income of the household. The increase in the housing subsidy is not only to cater for inflation but also for the improvement of the quality of houses built. The increases in the housing subsidy⁵¹ are as follows:

- R20 300 subsidy increases to R23 100, an increase of 13.79% for a household earning less than R1 500 per month.
- R12 700 subsidy increases to R14 200, an increase of 11.81% for a household earning between R1 501 and R2 500 per month.
- R7 000 subsidy increases to R7 800, an increase of 11.43% for a household earning between R2 501 and R3 500 per month.
- R22 800 subsidy increases to R25 580, an increase of 12.19% for the aged, disabled and indigent individual.

The policy changes that took effect on 1 April 2002 were the R2,479 contribution by the individual or the contribution in kind where the individual participates in an approved People's Housing Process project towards the attainment of a housing subsidy, the warranty scheme of the National Home Builders Registration Council and the guidelines for a procurement compliant regime which pertains to greenfield projects to be undertaken in term of the project linked subsidy programme.

⁵¹ Report on Housing Subsidy scheme enhancements

These policy changes⁵² have however had a negative impact on the service delivery environment as can be seen in the under expenditure in 2002/03 of R30,680 million in the following manner:

- Lack of capacity at municipalities to facilitate housing delivery and having to act as developers. Critical areas are project management skills and operational funds to manage housing development.
- The introduction of a procurement policy for subsidised housing in respect of greenfields projects, which caused a delay in the allocation of tenders for housing projects.
- The compulsory registration of homebuilders and the enrolment of projects and subsidised houses with the National Home Builders Registration Council caused a delay.
- The minimum requirements for quality of the houses in the Southern Coastal Condensation Problem Area that could not be met within the subsidy quantum.
- The compulsory contribution of R2,479 before any beneficiary (except PHP beneficiaries) can access a subsidy. The R2,479 contribution led to a shift towards People's housing process (PHP), which is a slower housing delivery process.

This had a net impact of slowing down greenfields contractor-built housing, which is, historically, the fastest delivery mechanism for housing. The fact that beneficiaries were required to make a contribution of R2,479 also had a negative impact given the fact that beneficiaries are poor (with a household income of less than R1,500 per month) and not able to readily produce the contribution.

There are also project-specific⁵³ reasons that lead to the under expenditure in 2002/03, which are as follows:

- (a) Blocked projects due to inflation.
- (b) Delays in processing project applications.
- (c) Inability to submit project applications and delays in the development of business plans.
- (d) Conversion of projects in mid-stream.
- (e) Lack of planning and project management capacity at municipal level.
- (f) Lack of systematic support at provincial level in project preparation and implementation.
- (g) Approval of the Environmental impact assessment studies.

The department is in the process of instituting remedial steps⁵⁴ to resolve the above obstacles i.e. the policy changes and project-specific reasons, which amongst others, are as follows:

⁵² Department of Housing; 2002/03 Annual Report

⁵³ Department of Housing; Strategy to improve delivery in the Western Cape: 2003/04 financial year and beyond

⁵⁴ Department of Housing; Strategy to improve delivery in the Western Cape: 2003/04 financial year and beyond

- (a) With regard to the unresolved policy issues, interim provincial guidelines will be drawn up and submitted to the national Department of Housing for endorsement and implementation.
- (b) These provincial guidelines will be extensively communicated to the municipalities by the department.
- (c) The department is facilitating better planning by creating a simplified pro-forma business plan to make it easier for municipalities to plan.
- (d) Teams will be established to support municipalities to develop and submit business plans and project applications.
- (e) The department will fill vacant posts and employ contract staff/consultants to alleviate capacity constraints to carry out identified critical tasks as a short term intervention.
- (f) An initiation of large projects by the province.
- (g) To speed up the identification of suitable land for housing.

Table 4 shows the amount of housing subsidies vs the actual expenditure for the period 2000/01 to 2002/03:

Table 4: Housing subsidies vs Actual expenditure

	2000/01	2001/02	2002/03
Housing Subsidy	23 505	22 307	26 182
Actual Expenditure (R'000)	363 237	328 618	348 180
Average (R)	15 454	14 732	13 298

The average cost of a housing subsidy decreases from R15,454 in 2000/01 to R13,298 in 2002/03. The department is therefore paying the housing subsidy according to the income of the household in the second category i.e. household earning between R1 501 and R2 500 per month, if you take into account that the highest housing subsidy an individual can qualify for in 2002/03 was R20,300.

Notwithstanding the policy changes that came into effect in 2002/03 where individuals had to make the R2,479 contribution towards the attainment of a housing subsidy, the subsidies that was paid out in 2002/03 was the backlog on the approved projects.

Table 5 sets out the number of housing subsidies approved and the number of houses completed or under construction:

Table 5: Number of subsidies vs Houses completed

	1994 – 98	1998/99	1999/2000	2000/01	2001/02	2002/03	Total
Housing Subsidy	67 144	35 849	28 170	23 505	22 307	26 182	203 157
Houses	69 155	34 575	26 916	17 730	12 795	20 500	181 671

From this table it is noticeable that the number of housing subsidies approved and the number of houses completed differ. This is mainly due to the following factors:

- The housing subsidy in some cases is not paid out in full in a particular financial year. Half might be paid out in one financial year and the other half in the next financial year. This will have an effect on the house to be completed.
- The housing subsidy need not only be used to fund the building of a house but can also be used to buy an existing house.
- The housing subsidy in some cases is not enough to fund the completion of a house. This will mean that at the end of the financial year the house will not be completed but the housing subsidy would have been paid out.

Pressures

The main pressure for the department is the housing backlog in the Western Cape. The delivery of housing relative to the backlog in the past was mainly due to the funds received via the SA Housing Fund being inadequate. Evidence of this was the 100% expenditure of the allocated budget of the Western Cape Housing Development Fund, i.e. housing subsidy grant, in 2000/01 and 2001/02 and the ever-increasing backlog in the approval of housing subsidies needed for the provision of housing. However in 2002/03 with the new policy changes that took effect the department was not able to spend the full allocation, which will cause the backlog to increase even further.

The 1996 Census puts the housing backlog at 225 941 in the Western Cape, however, this figure had grown to 316 000 by 2001 and is projected to grow to 410 000 in 2006 according to research that was undertaken by the Department in October 2001 while compiling the five-year housing delivery plan and the three-year business plan.

In Table 6⁵⁵, below, the proportional backlog per municipal district is shown. The backlog is a percentage of the 310 000 backlog in 2001 and 410 000 backlog in 2006:

Table 6: Percentage backlog per district

District	Backlog	
	2001 %	2006 %
Cape Town	69	73
Boland	10	9
Overberg	4	3
Central Karoo	4	3
Garden Route/Klein Karoo	8	8
West Coast	5	4
Total	100	100

⁵⁵ Status Report on Housing Delivery initiatives in the Province (October 2001)

Table 7 sets out the distribution of the backlog according to housing subsidy eligibility, i.e. the income band.

Table 7: Backlog by income band

Income Band	Backlog		Growth in Backlog	
	2001	2006	Number	%
R3 500 - R2 501	44 640	59 040	14 400	24.39
R2 500 - R1 501	69 099	91 430	22 331	24.42
R1 500 - R1 001	64 139	84 870	20 731	24.43
R1 000 - R0	132 122	174 660	42 538	24.35
Total	310 000	410 000	100 000	24.39

There is an average increase of more than 24% on each of the housing subsidy eligibility categories that increases the backlog by 100 000 in 2006.

Three housing delivery scenarios have been developed by the Department, which have produced the following indicators:

- Scenario 1: Deliver 40 000 units per year
 - Waiting time on housing list = 8 years
 - Backlog reduced to zero in 15 years
- Scenario 2: Deliver 31 600 units per year
 - Waiting time on housing list = 10 years
 - Backlog reduced to zero in 24 years
- Scenario 3: Deliver 20 000 units per year
 - Waiting time on housing list will be more than 15 years
 - Backlog will never be reduced to zero

The number of housing subsidies approved is dependent on funds available, the mechanisms for dispensing these and the actual housing delivery system. With the funds available over the MTEF period the housing delivery plan is geared to deliver 75 220 units with an average of 25 070 units per annum. The closest one can get to any of the aforementioned scenarios is to deliver the housing units according to Scenario 2. This means that the difference of 6 530 units (31 600 units – 25 070 units) needs to be funded provided the delivery constraints can be sustainable overcome. Using the highest category according to the income of the household, i.e. R20 300, 6 530 units will have an additional financial implication of R132,559 million per annum.

Table 8, below, sets out how the total of 75 220 units was arrived at per municipal district:

Table 8: Type of housing units per region

Primary Programme	Cape Town	Boland	Overberg	Central Karoo	Garden Route/ Klein Karoo	West Coast	Total
Managed land settlement	32 207	3 652	1 459	1 459	3 651	1 824	44 252
Greenfields PLS	1 710	1 114	446	446	754	557	5 027
In Situ upgrading	3 680	1 037	414	414	689	518	6 752
Top structure	3 918	1 134	453	453	769	566	7 293
Individual	237	47	20	20	40	23	387
Instalment sale	6 975	346	138	138	293	173	8 063
New rental	1 240	77	31	31	65	38	1 482
Hostels redevelopment	923	0	0	0	0	0	923
Backyard shacks	340	223	89	89	189	111	1 041
Total	51 230	7 630	3 050	3 050	6 450	3 810	75 220

Most housing subsidies are provided for managed land settlement. The City of Cape Town (Unicity), receives the majority of the housing subsidies because it is the area that is the most populated in the Western Cape. The City of Cape Town spent in 2002/03, 70% of the department's budget⁵⁶.

The current backlog in the Cape Metropole⁵⁷ is 220 000 with an annual increase of about 20 000, which comprises of 11 000 due to migration into the Province and 9 000 as a result of new family formations.

Relationship with:

- **Other programmes**

Programme 2: Planning and subsidy administration is responsible for the administrative duties of programme 3: Housing subsidy programmes and programme 4: Urban renewal and human settlement redevelopment since the personnel expenditure for these two programmes forms part of programme 2 and these two programmes consists only of transfer payments. The percentage of the allocation magnitude of programme 2 expenditure vs programme 3 and programme 4 is 5.92%.

To promote Integrated Housing Development, the department has developed a Five-Year Strategic Housing Delivery Plan. This Plan will be reviewed on an on-going basis to be in line with the Integrated Development Plans. The intention of the department is to assist municipalities to develop Municipal Housing Sector Plans in line with their Integrated Development Plans⁵⁸.

⁵⁶ 2003 Budget Speech by Provincial Minister of Housing

⁵⁷ Presentation by Basil Davidson at the Housing Conference on the "Influence of Housing Delivery in the new Unicity"

⁵⁸ 2003 Budget Speech by Provincial Minister of Housing

- **Other Votes via the Integrated Serviced Land Project**

The department intends to establish greater alignment with the other departments such as Health, Local Government, Education, Environmental Affairs and Development Planning and Economic Development and Tourism to promote integrated and sustainable housing development⁵⁹. This has and will be done via the Integrated Serviced Land Project by coordinated planning and budget alignment between departments.

The Integrated Serviced Land Project, in its tenth year of operation, demonstrated that it is still a driving force in the province by producing excellent results. With regard to housing, 8 400 sites were serviced during the year and nearly 6 700 houses built, bringing the total number of houses constructed to almost 30 000 by the year-end.

The integrated nature of the project has also been sustained – 68 classrooms were built, the provision of health facilities constantly improved, and over 40 capacity-building projects operated. The Integrated Serviced Land Project has now delivered 19 new schools, 17 upgraded schools, 4 new health facilities and 11 upgraded, 11 halls, 6 sports fields, 4 libraries, 1 swimming pool and the first two of six early childhood enrichment centres. The total expenditure for this project exceeds R1 billion⁶⁰.

This project is envisaged to be completed by 31 March 2005 with a projected expenditure of R1,292 billion.

- **Own revenue**

From 1 April 2003 the Western Cape Housing Development Fund expenditure transactions will run against the department's budget while the legislative process to disestablish the fund is expedited. So too will the revenue generation for the rental and sale of property amounting to R25 million in 2003/04. This is the main source of revenue generation for the department.

Since this is the first time that revenue will be budgeted for on the department's budget, the revenue estimates over the MTEF have been kept constant due to uncertainties with respect to the revenue flow. The revenue source will be applied to counter the costs related to the maintenance of housing properties and the transfer of rental stock to beneficiaries, as well as the payment of rates and taxes and the valuation cost with respect to the sale of property on the open market.

Earmarked allocation

An amount of R1,1 million was allocated for Housing capacity building in 2002/03 and roll-over of R0,793 million from 2001/02. The adjusted budget for 2002/03 was R1,893 million.

⁵⁹ 2003 Budget Speech by Provincial Minister of Housing

⁶⁰ Department of Housing; 2002/03 Annual Report

In fulfilling the department's responsibility towards capacity building of municipal and provincial officials, formal training courses were held on housing policy and management, finance and accounting to the value of R1,138 million. Ten capacity building courses were held with 269 provincial and municipal officials and councillors⁶¹.

Human Resettlement and Redevelopment Programme grant

The programme was initiated in 1999 and its aim is to improve the quality of the urban environment and to address the legacy of dysfunctional urban areas.

Table 9, below, sets out the budget vs actual expenditure for the period 2000/01 to 2005/06 for this grant:

Table 9: Budget vs actual expenditure

	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Actual Expenditure	5 203	1 860	5 806			
Adjusted Budget/Budget	9 000	14 927	24 919	34 113	15 810	13 711
Under/(Over) expenditure	3 797	13 067	19 113			
Under/(Over) expenditure %	42.19	87.54	76.70			

The late approval of the business plans in 2000/01, 2001/02 and 2002/03 caused the late transfer of funds from the National Department of Housing to this Province. This resulted in the Department underspending substantially on this grant with 42.19%, 87.54% and 76.7%, respectively, as it was not in a position to transfer the funds to the municipalities.

The resultant underexpenditure caused the Department to request the roll-over of the funds to the subsequent financial year. From 2000/01, R3,797 million, from 2001/02, R11,669 million and from 2002/03, R19,113 million was rolled over to the following financial year. The difference of R1,398 million (R13,067 million less R11,669 million) in 2001/02 with regard to the roll-over shortfall is because of the transfers from the National Department of Housing, although voted, it was incorrectly accounted for.

However, there are other problems related to this grant. Even though the business plans are approved late, the Department still underspends because it had to wait for the receipt of the certified claims from municipalities.

The non-financial information for this grant is that thirteen projects were funded during 2002/03, varying from the development of informal business areas to providing sanitation to funding repairs in disaster stricken areas. Some of these funds were also allocated to fund projects in the urban renewal nodes of Khayelitsha and Mitchells Plain⁶².

⁶¹ Department of Housing; 2002/03 Annual Report

⁶² Department of Housing; 2002/03 Annual Report

Spending behaviour/patterns

The department has a history of underspending, which can be attributed to vacant posts within the Department. The restructuring process, which started in 2002/03 has delayed the filling of vacant posts and may result in a further under expenditure in 2003/04.

The spending on housing i.e. the Housing Subsidy grant, has taken a down turn where in 2002/03 the department had an under expenditure of R30,680 million that was due to the above mentioned policy changes that came into effect on 1 April 2002. The outlook for 2003/04 looks the same where the department has reported in the In Year Monitoring report on the state of the department's revenue and expenditure as at 31 August 2003, a projected under expenditure of R43,522 million on this grant.

A further reason for the underspending is in the last three years the department's business plans for the conditional grant Human Resettlement and Redevelopment programme have been approved late in the financial year by the National Department of Housing. Consequently, the transfer of funds from the national department to the Province has been delayed and in turn the Province is not in a position to transfer the funds to municipalities, resulting in the under expenditure. The outlook for 2003/04 looks the same where the department has reported in the In Year Monitoring report as at 31 August 2003 a projected under expenditure of R18,421 million on this grant.

Overall the department is projecting an under expenditure of R63,422 million for 2003/04.

Norms and standards (variance budget vs expenditure)

The norm according to the Normative Measures document is that the variance can't be more or less than 2% of the budget. The Department of Housing's 2002/03 Annual Report, reports an under expenditure of 5.31%. However, this is much higher if the R30,680 million under expenditure of the Western Cape Housing Development Fund is taken into account which brings the under expenditure to 11.65%. This is unacceptably high if you consider the huge housing backlog.

Disestablishment of the Western Cape Housing Development Fund

The Housing Act, 1997 (Act 107 of 1997), (hereafter referred to as the Act), regulates matters pertaining to housing delivery in South Africa as well as the manner in which housing development is financed. The Act compels this Province to enact legislation to establish the Western Cape Housing Development Fund. In terms of the Act funds flow from the South African Housing Fund to the Western Cape Housing Development Fund.

With the South African Housing Fund agency payment becoming a conditional grant the need for such a transfer mechanism has become questionable since several problems arise from an accounting, financial monitoring and control perspective.

According to the National Treasury, the Act is in contravention of the annual Division of Revenue Act and the Public Finance Management Act.

The original reason for the establishment of the South African Housing Fund and the Western Cape Housing Development Fund was to ringfence money earmarked for housing capital projects so as to ensure that these funds were not used to finance the operating expenses of the Department of Housing. The rationale for this is no longer valid since the Public Finance Management Act, the annual Division of Revenue Act and the Appropriation Act fulfil the same role.

As of 1 April 2003 the Western Cape Housing Development Fund expenditure transactions will run against the department's budget while the legislative process to disestablish the fund runs its course. The adoption of the new programme structure also makes accounting for expenditure easier.

Vision 2014⁶³

Vision 2014 is not taken up in either Budget 2003 or in the Department of Housing Strategic Plan 2003/04 to 2005/06. The Provincial Minister of Housing during the budget speech described this vision. However, this vision will have to be included in the aforementioned documentation by the department outlining what is envisaged and how it will be attained.

In April 2003 following the Provincial Minister of Housing's road shows, the Provincial Minister convened a Provincial Housing Indaba. The main objective of this Housing Indaba was to draft a 2014 Housing Vision for the province and to develop a strategy to accelerate housing delivery in the province.

The 2014 Vision is not just about housing, it is about establishing viable communities that are characterised by:

- (a) Mobilising and uniting communities to work together with government to meet their own needs.
- (b) Accelerating housing delivery in the province.
- (c) Integrating communities in terms of race, ethnicity and class reflecting on the Rainbow Nation and overcoming the divisions left by apartheid.
- (d) Facilitating the provision of decent housing with adequate, affordable basic services such as water, sanitation, electricity and service roads.
- (e) Providing easy access to health facilities, recreation, transport and commercial activities.
- (f) Contributing to income generation and employment.

The priority programme towards the realisation of the 2014 vision is the People's Housing Process. This process has the potential to address the housing demand at a scale while satisfying the needs of the people in this province.

⁶³ 2003 Budget Speech by Provincial Minister of Housing

Conclusion

With the backlog on housing totalling, 316 000 by the end of 2001 and increasing with 20 000 a year, the department has its work cut out to reduce the backlog. Against this backlog it is regrettable that the department did not spend its full allocation of the Housing Subsidy grant in 2002/03 and may not be able to spend the allocation in 2003/04 because of the policy changes and project-specific reasons. However, cognisance is taken of the remedial steps that will be taken by the department to resolve these problems in 2003/04.

It should be noted that although the policy changes were instituted by the National Department of Housing to enhance the quality of the house built, it never took into account the practical implications of implementing the policy changes and the far-reaching negative effect it has currently on the delivery of housing.

Way forward

The remedial steps that will be instituted by the department to resolve the obstacles i.e. the policy changes and project-specific reasons should be fast tracked to avoid a major embarrassment for government where a major crisis in the housing backlog is looming.

The challenge is to find a way to augment the Housing Subsidy National Conditional Grant to address the backlog in the housing need and to develop alternative programmes to respond to the housing crisis.

A more challenging challenge for Government is to deliver housing in an integrated manner, i.e. inclusive of services such as Health, Education, Police, Transport, etc. and to ensure that municipal Integrated Development Plans reflect such services properly. Lessons learnt and best practices used from the Integrated Serviced Land Project can be applied to deliver housing in an integrated manner.

Further work needs to be done on the financial burdens that delivered housing places on the owner, society and the government.

Finally, Vision 2014 should be taken up in future budget documentation i.e. the Budget Statement II and the Strategic Plan of the department outlining what is envisaged and how it will be realised.

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ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING

Introduction

The Department of Environmental Affairs and Development Planning was established on 1 August 2002 in order to provide a more effective service and to align the departmental structure of the Province with Ministerial portfolios. The department was established through the abolishment of the then provincial departments, Department of Planning, Local Government and Housing and the Department of Environmental, Cultural Affairs and Sport. The component Environmental Affairs of the previous Department of Environmental Affairs and Sport and the component Development planning from the previous Department Planning, Local Government and Housing were transformed into this department.

This department has undergone internal organisational and programme restructuring and refocusing to improve cohesion, direction and service delivery. The mission of the department is to promote human well-being, economic efficiency and environmental integrity towards sustainable development in the Western Cape. In pursuing this mission the department intends to realise its vision of a beneficial and sustainable environment.

The department's main service deliveries are:

- Environmental management and policy,
- Integrated pollution and waste management,
- Biodiversity management,
- Regional planning,
- Information management and
- Land development management

A budget of R122, 682 million was allocated to the department. This constitutes 0.75% of the 2003/04 provincial budget. Over the Medium Term Expenditure Framework (MTEF) period the relative budget share decreases slightly to 0.73% and 0.72% for the 2004/05 and 2005/06 financial years respectively. The department also received additional funds of R11,342 million in the 2002/03 adjustments budget, of which R9,385 million was given to the Western Cape Nature Conservation Board (WCNCB) for restructuring and legal fees and R1,957 million for the 350th Commemoration of the founding of Cape Town. These were once-off payments not repeated in the 2003/04 year.

Funding

Of the total funding, 99.99% comes from the equitable share and 0.1% from own generated revenue. This department is heavily reliant on equitable share funding. The own revenue decreases from 2000/01 to 99.6% in 2001/02 due to transferring of a big portion of own revenue to the WCNCB, but its equitable share portion is kept constant over the MTEF years, 2002/03 at 99.99%, 2003/04 at 99.99% as well as for the 2004/05 and 2005/06 years.

Expenditure

The department is responsible for the transfer payments to the Western Cape Nature Conservation Board, This constitutes 66.5% of the departments budget in 2000/01, 55.7% in 2001/02, 51.2% in 2002/03, and then stabilises at 47.1% (2003/04), 47.1% (2004/05) and 46.9% (2005/06) over the MTEF period. The department is furthermore responsible for making transfer payments to support the Environmental Commissioner and Local government. To date no such payments were made, as National Treasury has not yet approved the establishment of the Office of the Commissioner as a public entity.

The department has commenced the second phase of the integration of the environmental affairs and development planning components. This will probably result in extensive restructuring of the department, affecting the budget structure and associated resource needs.

Spending Trends

In Table 1, the Department's expenditure for the 2000/01 to 2003/04 financial years and budgeted allocations for 2004/05 to 2005/06 are reflected.

Table 1: 2000/01 to 2003/04 expenditure trends and MTEF allocations

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	7 269	10 503	16 557	17 922	2.05	19 260	20 492
2. Environmental affairs	58 262	66 895	82 899	85 311	(2.98)	89 842	94 128
3. Development planning	13 782	15 262	21 019	19 449	(12.76)	20 233	21 094
Total	79 313	92 660	120 475	122 682	(3.99)	129 335	135 714
Standard item							
Personnel	17 015	22 784	31 238	41 520	25.31	43 711	46 371
Administrative	1 985	3 051	4 559	5 378	11.22	5 531	5 850
Stores and livestock	292	915	1 483	1 234	(21.55)	1 320	1 395
Equipment	2 303	3 474	3 901	2 438	(41.08)	2 270	2 591
Land and buildings							
Professional and special services	3 492	4 068	5 322	4 952	(12.27)	6 126	6 296
Transfer payments	54 122	58 349	73 971	67 160	(14.40)	70 377	73 211
Miscellaneous	104	19	1		(100.00)		
Total	79 313	92 660	120 475	122 682	(3.99)	129 335	135 714

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
Economic classification							
Current	76 479	87 831	117 212	121 138	(2.56)	127 882	134 036
Personnel	17 015	22 784	31 238	41 520	25.31	43 711	46 371
Transfer	53 198	56 949	73 971	67 160	(14.40)	70 377	73 211
Other current	6 266	8 098	12 003	12 458	(2.14)	13 794	14 454
Capital	2 834	4 829	3 263	1 544	(55.39)	1 453	1 678
Acquisition of capital assets	1 910	3 429	3 263	1 544	(55.39)	1 453	1 678
Transfer	924	1 400					
Total	79 313	92 660	120 475	122 682	(3.99)	129 335	135 714
Difference		13 347	27 815	2 207		6 653	6 379
Nominal Growth %		16.83	30.02	1.83		5.42	4.93
Real Growth %		9.59	17.23	(3.99)		0.35	(0.21)
Average annual nominal growth % (2000/01 – 2003/04)				15.65			
Average annual nominal growth % (2003/04 – 2005/06)							5.18
Average annual real growth % (2000/01 – 2003/04)				7.24			
Average annual real growth % (2003/04 – 2005/06)							0.07

As reflected in Table 1 the department's expenditure grew from R92,660 million in the 2001/02 to R120,475 million in 2002/03, an actual growth of R27,815 million or 30.02% in nominal terms, or a real growth of 17.23%. The growth was mainly due to a once-off allocation to the WCNCB for restructuring and legal fees, referred to previously.

Spending behaviour

The department's spending increased in real terms by 17.23% or R27,815 million between 2001/02 and 2002/03 and then decreases in real terms by 3.99% or increase by R2,207 million comparing 2002/03 actual to 2003/04 budget. The decrease in real growth is because of the once off allocation of R11,342 million in 2002/03, not repeated in 2003/04 budget. (See previous reference in this regard.)

The department's under spending, mostly on the personnel standard item, for the 2002/03 financial year amounted to 0.97% of the adjustments budget. Comparison of under spending for the 2001/02 financial year is not possible because of the restructuring of departments which took place during August 2002.

Table 2: The weight of each programme vs Actual Expenditure

Programmes:	Amount 2002/03	Percentage
Programme 1: Administration	16 557	13.74
Programme 2: Environmental affairs	82 899	68.81
Programme 3: Development planning	21 019	17.45
TOTAL:	120 475	100.00

The largest portion of the budget was spent by Programme 2: Environmental Affairs, mainly the transfer payments to the Western Cape Nature Conservation Board (WCNCB).

Table 3: Transfer Payments: Expenditure Trends

Transfer payments	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Actual	Voted	MTEF	MTEF
Western Cape Nature Conservation Board	52 746	51 603	62 360	57 765	60 902	63 716
Difference		(1 143)	10 757	(4 595)	3 137	2 814
Increase in %		(2.21)	17.25	(7.95)	5.15	4.42

There is a decrease in the transfer payment to the WCNCB from the 2000/01 to the 2001/02 year of 2.21% and then an increase from the 2001/02 to the 2002/03 year of 17.25% which is due to an additional allocation in 2002/03 for the restructuring of the WCNCB and the payment of severance packages. There is a decrease from 2002/03 to 2003/04, but increases from 2003/04 to 2004/05 and 2005/06 year by 5.15% and 4.42% respectively.

Changes to baseline/Shifts (trends)

The implementation of phase 2 of the new departmentalisation model implied that the department of Environmental and Cultural Affairs and Sport be restructured from 1 August 2002. Subsequently, the departmental structure of Vote 9: Environmental and Cultural Affairs and Sport was unbundled and the following two new votes were established:

- Vote 9: Environmental Affairs and Development Planning, and
- Vote 14: Cultural Affairs and Sport.

Furthermore, the development planning function formerly under Vote 8: Planning, Local Government and Housing has also been shifted to this vote.

The corporate affairs function of this vote incorporating all personnel, finance and other functions rendered the same services on an agency basis to vote 14: Cultural Affairs and Sport until 31 March 2003.

Non-financial information vs financial information

Once the Environmental Commissioner is established and the department spends the allocated funds, this will decrease the savings for the year.

Pressure

In the current financial year the department has submitted to Cabinet a proposed macro organisational structure and staff establishment, which they want to implement, but

additional funding of R5,622 million is needed. Provincial Treasury had no objection to the new organisation structure provided they remain within their budget.

The department indicated in their damage report that the floods in March 2003 resulted in damages of R3,4 million to the property of the WCNCB. Of this amount, the estimated cost of repair in the 2003/04 financial year will be R2,4 million. Any increase in the transfer payments to the WCNCB will have a direct impact on the percentage of the budget left for the department to spend on other projects.

Norms and Standards (variance budget vs expenditure)

According to the Normative measure's document, normal under spending should be within 2% of the overall budget. This department's under spending for the 2002/03 financial year is 0.97%.

The Department's envisaged outlook for the 2003/04 budget makes special reference to spatial, coastal and inland planning.

Spatial Planning

The Directorate Regional Planning is busy with the task of drafting both the Provincial Spatial Development Framework (PSDF) and the State of the Environment Report (SoER). The Directorate is also near to completion of a Municipal Spatial Development Framework Manual. Comment has been provided on the first draft of the bio-regional planning policy. The manual will be finalised towards the middle of October 2003.

Coastal Planning

The Coastal Zone Policy for the Western Cape is 99% complete and the Directorate is awaiting opportunity to present the draft policy to the Social Administrative cluster, before being presented to the Provincial Cabinet for approval as provincial policy.

In terms of the Coastal Zone Bill, coastal provinces are obliged to draft Coastal Management Programmes (CMP) and in this regard the CMP of the Western Cape is in the middle of a public participation process and will be completed by the end of 2003.

Inland Planning

Implementation of the Man and the Biosphere Programme (MAB) in Western Cape is progressing steadily, with the financial support of the Directorate to the Cape West Coast Biosphere Reserve and Kogelberg Biosphere Reserve. Plans are afoot to lend more support to the further implementation of the MAB Programme by investigating the establishment of a biosphere reserve in the Central Karoo District municipal area. (Kindly see the above paragraph regarding Municipality Spatial Development Frameworks.)

Conclusion

The department is still busy with further restructuring, which may result in changes to the organisational structure. The organisational structure has been submitted to Provincial Treasury and financial implications were noted. Treasury has no objection against the proposed new organisational structure of the department, however Treasury cannot commit additional funding at this stage, due to the current 2004/05 budget process.

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TRANSPORT AND PUBLIC WORKS

Introduction

The department's vision is, "The best provincial transport system and property infrastructure for all", while its mission is, "To deliver an integrated, accessible safe, reliable, affordable, sustainable and quality transport system and property infrastructure through socially just, developmental and empowering processes, to improve the quality of life for all".⁶⁴

The department went through fundamental restructuring at top management level with the challenge of directing the organisation in a way that was empowering, developmental, people centred and to redress past imbalances. In this period the *modus operandi* for the department was changed to ensure that social justice was achieved through departmental programs. In order to do this the status quo in terms of both the identification of projects, and delivery thereof, was questioned. As outlined in the Departmental Strategic Plan for 2003-2006, the department built into its prioritisation framework a social prioritisation framework as a measure to be used in conjunction with the technical prioritisation framework. The department has developed and widely consulted its preferential procurement implementation plan, which was implemented from 1 April 2003. The plan contains an empowerment impact assessment for all projects above R500 000 to maximise opportunities for community participation, job creation and small and medium enterprises (SME's) advancement. The plan confirms completely the desire by the department to make sure that change and redress happens. It is believed that this revised focus will bring about a better quality of service, as it embodies the principle of community participation. The department has completed its fraud prevention plan. This initiative, which enhances the financial management aptitude within the department, will challenge management and staff to adhere to the highest levels of ethical behaviour in the work undertaken. A further element of the restructuring process undertaken was the alignment of the organisational structure to the strategic direction of the organisation, although this process was only intended for implementation in the forthcoming financial year.⁶⁵

Funding

This vote constitutes 9.41% of the provincial budget or R1,544 billion and is R163,951 million more than the adjusted budget for 2002/03. The vote's share over the MTEF amounts to 9.32% (2004/05) and 9.40% (2005/06), re-affirming a commitment to keep infrastructure at a substantially higher and sustainable level.

Funding for the vote comprises of 45.61% from the equitable share, 14.35% national conditional grants and 40.02% from own generated revenue.

⁶⁴ Budget 2003 (page 325)

⁶⁵ Department of Public works: Annual Report (page 1)

The allocation for the hospital revitalisation conditional grant is aimed at transforming and modernising hospitals in line with the national planning framework and amounts to R81,939 million, a 82.09% increase for 2003/04 versus R45 million in 2002/03. The grant levels out to R85 217 million for 2004/05 and R88,625 million for 2005/06. The provision reflects a sharpened focus to upgrade and provide health facilities, hopefully improving service delivery as well as efficiency gains in the health system.⁶⁶

Importance of infrastructure

Infrastructure is a key factor for service delivery by the social services, including education, health and social development, provided by government. Furthermore, expenditure on roads can be seen as even more important, as roads provide access to the social services provided by government.

Government's objectives for service delivery are directly linked to Infrastructure planning. Most aspects of infrastructure delivery require effective results-orientated management that understands the environment within which it operates and the timely planning and execution of approved plans. The construction industry is a small and currently declining industry. Contribution to GDP has fallen, there are fewer jobs today than twenty years ago, and real wages have fallen.

Since the 2000/2001 Budget, Government has identified infrastructure investment as a priority. The major contribution by this department towards empowerment and job creation should also be recognised.

Definition

The term infrastructure can mean many things to many people, depending on the context in which it is used. The Oxford Dictionary defines infrastructure as "the basic physical and organisational structures (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise." For the purpose of this chapter, infrastructure includes the construction and maintenance of facilities, which ensures service delivery by the Western Cape Government in both the social and economic sectors. In terms of the Provincial Budget this would include all funds voted under Vote 10: Transport and Public Works, which includes the construction, rehabilitation/upgrading, and preventative and corrective maintenance of provincial health facilities, schools, all other provincial buildings and roads, as well as funds voted for the Cape Town Convention Centre (Convenco) under Vote 13: Economic Development and Tourism.

⁶⁶ Budget 2003 (page 29)

Historical background

During the period up to 1999/2000 the Western Cape province, along with all other provinces, sought to service debt while simultaneously providing social services. The effect was that less capital investment was made and maintenance backlogs escalated. Investment in infrastructure allows government to attain its objectives of improving the quality of life, job creation, access to services and opportunities for the poor as well as to stimulate economic growth. For this reason infrastructure was introduced in the 2001 Budget as a key strategic thrust in both national and provincial governments.

Expenditure trends: Overall

The trends comparison in Table 1 below shows the expenditure performance of the department over the past 3 financial years, the budget for the current financial year (2003/04) and the subsequent 2 MTEF years.

Table 1: Trend comparison: 2000/01 to 2005/06

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	8 789	19 397	21 742	33 857	46.82	37 278	37 960
2. Public works	407 626	469 372	514 587	692 330	26.85	614 966	641 973
3. Roads	518 008	549 976	734 130	636 628	(18.24)	770 172	870 430
4. Transport	10 105	19 664	45 999	132 457	171.49	169 754	177 223
5. Community based public works programme	2 164	2 180	10 868	48 465	320.44	49 513	54 823
Total	946 692	1 060 589	1 327 326	1 543 737	9.65	1 641 683	1 782 409
Standard item							
Personnel	91 052	102 764	111 611	146 851	24.05	169 378	185 241
Administrative	17 007	20 256	19 174	28 403	39.66	34 493	38 956
Stores and livestock	10 326	11 913	15 825	13 881	(17.30)	16 396	16 490
Equipment	31 517	43 729	42 466	29 205	(35.16)	31 126	28 288
Land and buildings	80 361	76 973	100 672	98 289	(7.95)	93 935	98 935
Professional and special services	688 848	775 778	975 978	1 140 883	10.21	1 204 939	1 311 051
Transfer payments	22 506	28 175	60 828	86 087	33.43	91 264	103 296
Miscellaneous	5 075	1 001	772	138	(83.15)	152	152
Total	946 692	1 060 589	1 327 326	1 543 737	9.65	1 641 683	1 782 409
Economic classification							
Current	480 049	507 694	660 065	817 159	16.72	852 899	895 378
Personnel	91 052	102 764	111 611	146 851	24.05	169 378	185 241
Transfer	3 097			2 000		2 000	2 000
Other current	385 900	404 930	548 454	668 308	14.88	681 521	708 137
Capital	466 643	552 895	667 261	726 578	2.66	788 784	887 031
Acquisition of capital assets	447 234	524 720	60 828	84 087	30.33	699 520	785 735
Transfer	19 409	28 175	606 433	642 491	(0.11)	89 264	101 296
Total	946 692	1 060 589	1 327 326	1 543 737	9.65	1 641 683	1 782 409

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
Difference		113 897	266 737	216 411		97 946	140 726
Nominal Growth %		12.03	25.15	16.30		6.34	8.57
Real Growth %		5.09	12.84	9.65		0.75	3.26
Average annual nominal growth % (2000/01 – 2003/04)				17.70			
Average annual nominal growth % (2003/04 – 2005/06)							7.45
Average annual real growth % (2000/01 – 2003/04)				9.15			
Average annual real growth % (2003/04 – 2005/06)							2.24

Table 1 reflects substantial nominal growth from 2000/01 to 2005/06. Even in real terms the increase in expenditure/allocations are impressive up to 2003/04. This is mainly due to additional allocations from accumulated surpluses and the introduction of a national conditional grant for infrastructure. The aforementioned will be discussed in greater detail below. Suffice to say that Table 1 reflects this Government's intention to invest more in infrastructure, to firstly, preserve the Province's existing infrastructure stock and secondly, to provide social and economical infrastructure where it is most needed especially in previously neglected areas.

Below follows a more in depth discussion on infrastructure and on the major programmes of the department. Due to programme structure changes in the past it is deemed more appropriate to discuss the expenditure trends on the latest version of programme structures of the vote.

It is also worth noting that personnel expenditure doubles from 2000/01 to 2005/06, while none of the other standard items have had a similar increase. This is mainly due to departmental restructuring and full budgeting for the new establishment.

Spending Trend 1998/99 to 2005/06: Infrastructure

Table 2: Infrastructure expenditure within Provincial Expenditure (Nominal Rand value)

Spending Entity	Actual					Voted	Medium-term estimate	
	1998/1999 R'000	1999/2000 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Province	10 551 755	10 747 956	11 513 533	12 516 997	14 500 232	16 440 451	17 622 697	18 973 900
Infrastructure*	624 190	694 658	946 033	1 079 009	1 021 407	1 138 397	1 165 376	1 288 183
% of Provincial Budget	5.92	6.46	8.22	8.62	7.04	6.92	6.61	6.79

* Infrastructure includes funds for Cape Town International Convention Centre (CTICC), R15 million in 2001/2002, R105 million in 2002/2003 and R22 million in 2003/04

Infrastructure as a percentage of total provincial expenditure increased from 5,92% in 1998/99 to over 8% from 2000/2001 and onwards, but then decreases again to between 6% and 7% from 2003/04 and onwards. The high percentage of the Provincial budget from 2000/01 to 2002/03 is mainly due to the Province's contribution to the erection of the CTICC.

Spending Trend 1998/99 to 2004/05

Table 3 below indicates the expenditure growth trend for infrastructure from 1998/1999 to 2005/06. There seemed to be a surge in infrastructure spending in 2000/2001, as the nominal increase amounted to 36% in comparison with the previous year. This surge was mainly due to the rollover of approximately R200 million from 1999/2000. The rollover amount consisted of R91 million of unspent funds in 1999/2000, revenue retention of R63 million, R28 million received for the flood damage in the Gamka River area and the shifting of funds from other votes totalling R18 million.

Table 3: Infrastructure Trends (Nominal Rand value)

Infrastructure	Actual					Budget/MTEF		Voted
	1998/1999 R'000	1999/2000 R'000	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Expenditure Level	624 190	694 658	946 033	1 079 009	1 021 407	1 138 397	1 165 376	1 288 183
Difference		70 468	251 375	132 976	277 452	(84 425)	29 923	122 807
Nominal Growth %	(19.27)	11.29	36.19	14.06	25.71	(6.22)	2.35	10.54

The 2001/2002 financial year saw the introduction of the National Conditional Grant called the Provincial Infrastructure Grant. The Province received R49,524 million in that year, R96,210 million in 2002/2003, R145,190 million in 2003/2004, R179,330 million in 2004/2005 and R190,633 million in 2005/2006. Included in the budget for the 2001/2002 financial year is an amount of approximately R101 million rolled over from 2000/2001. This amount consisted of R33 million for unspent funds in 2000/2001, R28 million revenue retention and the shifting of R40 million from other votes for specific infrastructure projects. Together the aforementioned culminates in a 14% nominal increase in spending in the 2001/2002 financial year.

The above paragraphs illustrate that rollover funds have a significant influence on infrastructure spending. This is mainly due to the time lag for projects between the planning, tendering, and designing phase and the ultimate construction of the road or building. Unspent funds with regard to infrastructure represent unbuilt or incomplete roads, schools and clinics, which in turn affect delivery of social services. For this reason it must be noted and applauded that the unspent funds in respect of infrastructure have decreased considerably from R91 million in 1999/2000 to R33 million in 2000/2001 and R27,5 million in 2001/2002. However, the under spending increased to R52,460 million in 2002/03.

As part of the provincial budget reform and as proposed in the Western Cape Fiscal Policy (WCFP) 2002 - 2005, a lump-sum amount of R599,107 million (nominal terms) has been allocated for infrastructure (roads and buildings) for the 2002/2003 – 2004/2005 period. The allocation per year amounts to R299,543 million (of which R85 million for CTICC) for 2002/2003, R166,659 million for 2003/2004 and R132,905 million for 2003/2004.

The lump-sum allocation, after accounting for the Convento contribution, allows for an equal distribution of infrastructure spending in nominal terms over the 2002-2005 MTEF. This allocation was made on the assumption that the Accounting Officer of Vote 10: Transport and Public Works would collaborate with all client departments, within an overall framework, to ensure the internal prioritisation of roads and buildings. The overall framework, signed 25 January 2002 by both the Head Official of Treasury and the Accounting Officer of Vote 10, *inter alia*, divided the lump-sum in a 60:40 ratio, 60% for roads and 40% for buildings. The main reason for this split is the exponential replacement value of roads in comparison with that of Provincial buildings. The rehabilitation of roads costs seven times more than the resealing of roads, and the reconstruction of roads costs 16 times more. That is why there is such an emphasis on proper maintenance.

Present allocations for 2004/05 as well as the MTEF should be revisited to augment the infrastructure allocation to stimulate economic growth in the Province, thus creating job opportunities and addressing poverty, i.e. to regenerate economic activity and address economic inequalities.

Public Works Branch

At present, almost all the building expenditure for each department is reflected in Vote 10: Transport and Public Works, with the exception of the day-to-day maintenance, which in some instances is reflected in the relevant department's budget.

Since July 2000, the Public Works Programme in Vote 10: Transport and Public Works consists of Property Management and Works. Property Management manages the planning, development and administration of the provincial property portfolio with regard to rental, leasing, purchasing and selling of provincial property.

In terms of the Green Paper for the management of the Western Cape Provincial Property Portfolio, a provincial strategic accommodation and infrastructure plan must be developed for the Province. This plan will include all the strategic plans for the different departments as well as an indication of the need for accommodation and infrastructure over the next five years together with the current and capital impact that these needs will have on the provincial budget. The plan will also include strategies on how the shortfall within the budgets can be funded to provide the required additional funds for accommodation and infrastructure. This plan will play a major role in future budget processes.

In terms of the existing arrangements, all the client departments of Public Works are responsible for preparing a priority list of projects involving construction, upgrading and

rehabilitation. Public Works, on the other hand, will through yearly audits of the facilities, compile a list of priority maintenance projects, which will be finalised for execution in consultation with user departments based upon available budgets. Public Works is responsible for professional appointments in terms of approved programmes and procedures, planning and detailed specification of projects in terms of the preferential procurement policy of the Province, contract procurement, contract administration and the monitoring of final accounts, debriefing of projects and constant feedback to the user department.

Table 4: Expenditure for Public Works Branch (Nominal Rand value)

	Actual			Budget		MTEF		MTEF	
	2001/2002 R'000	2002/2003 R'000	Growth %	2003/2004 R'000	Growth %	2004/2005 R'000	Growth %	2005/2006 R'000	Growth %
Property management	113 807	127 395	11.94	126 355	(0.82)	130 578	130 578	131 697	3.34
Public works	355 565	387 192	8.89	565 975	46.17	484 388	484 388	510 276	(14.42)
Total	469 372	514 587	9.63	692 330	34.54	614 966	614 966	64 1973	(11.17)
Current	277 160	255 360	(7.87)	35 980	40.19	328 197	328 197	32 9201	(8.32)
Capital	192 212	259 227	34.87	334 350	28.98	286 769	286 769	312 772	(14.23)
Total	469 372	514 587	8.23	692 330	34.54	614 966	614 966	641 973	(11.17)

Expenditure for Property Management remains relatively constant as hiring of accommodation, approximately 78% of its budget, remains constant due to rationalisation of accommodation. A more accurate assessment can only be made once all departments have completed their individual accommodation plans in order to facilitate one provincial accommodation plan. In terms of the overall framework signed on 25 January 2002 by both the Head Official of Treasury and the Accounting Officer of Vote 10, departmental accommodation plans had to be completed by the end of August 2002.

A more accurate assessment will only be made once the strategic accommodation and infrastructure plan is finalised. In terms of this plan, departments will also identify redundant accommodation that may have an impact on the expenditure pattern.

Public Works expenditure increased dramatically in 2003/04 financial year by 46,17%. The reasons for the increase are firstly due to the R599 million lump-sum injection over the 3 years already discussed above, and secondly due to the increase in the Provincial infrastructure grant as well as an increase in the hospital revitalisation grant.

Building Audit Programme (BAP)

In 1999 the Public Works Branch undertook a building audit of all provincial properties so as to provide accurate information about the extent of the property portfolio, including the reparation and maintenance costs required.

The audit, completed in the year 2000, revealed that the provincial property portfolio amounted to R19,18 billion in 2000, which includes R2,87 billion (15%) for land and R16,3 billion (85%) for buildings. The maintenance backlog amounted to R1,185 billion, of which 48% was for schools, 45% for hospitals, 5% for general buildings and 2% for

rented properties. The findings of the audit were that the maintenance backlog could be eliminated over a five-year period if R508 million was budgeted in the first year and smaller budgets ranging between R100 million and R250 million the following four years. This, however, only reflects the maintenance backlog situation. Research indicated that in order to maintain one's facilities in a good condition one would need to spend between 2 to 4% of the replacement value thereof per annum. A conservative estimate indicates that we need about R400 million per year to maintain the provincial building infrastructure to acceptable levels, although given the underspending trends raises doubts about the department's capacity to manage such large funds efficiently. Another factor is the utilisation rate of provincial property, which necessitates the upkeep of property that is used inadequately.

When comparing the above budgetary requirements with the Public Works budget in Table 3, one realises that the available resources at no time meets the budgetary requirements to eliminate the maintenance backlog. The Public Works budget in Table 3 includes spending for construction, upgrading and maintenance. BAP and the yearly audit of the buildings should be utilised to prioritise maintenance work. The maintenance work is being categorised in terms of life-threatening situations on the one hand and maintaining a pleasant work environment on the other.

Table 5: Public Works Expenditure by Department

Sub-programme	2000/01	2001/02	2002/03	2003/04	% Change Budget to Actual	2004/05	2005/06
	Actual R'000	Actual R'000	Actual R'000	Budget R'000		MTEF R'000	MTEF R'000
1. Programme support	16 443	15 349	17 031	22 264	(30.73)	22 912	20 693
2. Health	101 689	150 191	108 150	218 387	(101.93)	207 349	215 030
construction	6 555	10 979	8 282	20 500	(147.52)	18 000	18 000
upgrading	78 065	114 288	62 302	118 263	(89.82)	130 086	136 603
maintenance	17 069	18 108	30 210	71 677	(137.26)	50 697	51 662
operational cost							
technical support		6 816	7 356	7 947	(8.03)	8 566	8 765
3. Education	96 386	105 867	153 170	177 564	(15.93)	161 390	165 847
construction	50 886	60 096	89 649	100 286	(11.87)	95 172	98 645
upgrading		380	895				
maintenance	45 500	37 726	54 251	68 316	(25.93)	56 600	57 200
operational cost							
technical support		7 665	8 375	8 962	(7.01)	9 618	10 002
4. Agriculture	4 151	4 166	5 419	21 119	(289.72)	4 000	3 500
construction	2 883	2 636	3 393	12 845	(278.57)	2 000	2 000
upgrading				6 274			
maintenance	1 268	1 530	2 026	2 000	(1.28)	2 000	1 500
operational cost							
technical support							
5. Social development	8 095	6 449	1 703	13 133	671.17	7 000	3 000
construction	6 459	4 047	1 009	10 133	904.26	4 000	
upgrading							
maintenance	1 636	2 402	694	3 000	211.20	3 000	3 000
operational cost							
technical support							

Sub-programme	2000/01	2001/02	2002/03	2003/04	%	2004/05	2005/06
	Actual	Actual	Actual	Budget	Change	MTEF	MTEF
	R'000	R'000	R'000	R'000	Budget to	R'000	R'000
					Actual		
6. Other infrastructure	76 771	73 543	101 719	113 508	11.59	81 737	102 206
construction	34 379	40 575	57 968	19 291	(66.72)	27 311	48 324
upgrading				32 558		1 000	
maintenance	19 077	20 868	29 642	42 998	45.06	33 556	34 056
operational cost	2 848	3 408	3 549	3 500	(1.38)	3 500	3 500
technical support	20 467	8 692	10 560	15 161	43.57	16 370	16 326
7. Property management	104 091	113 807	127 395	126 355	(0.82)	130 578	131 697
Buying and selling of land	150						
and buildings	86 617	8 209	31 680	13 200	(58.33)	8 200	8 200
Accommodation		73 623	73 294	83 055	13.32	83 699	88 699
Asset/Property Control							
Technical support	17 324	31 975	22 421	30 100	34.25	38 679	34 798
Departmental totals		469 372	514 587	692 330	34.54	614 966	641 973

Health

The spatial distribution of health facilities is such that a large number of health facilities are situated in historically white areas. This has been addressed in the short term by means of primary health care, with the building of clinics and community health care (CHC) facilities in previously disadvantaged areas. Infrastructure expenditure in Table 5 above increases by 101,93% in 2003/04 and levels out in the outer years. The increase are mainly due to a sharp increase in the Hospital revitalisation grant from more or less R40 million to almost R82 million. As the more established hospitals still need to provide services, the main health infrastructure spending is on the upgrading and rehabilitation of those facilities, which are in a poor condition.

Education

One of the problems facing education is keeping up with an ever-changing demand for schools as a result of changes in school populations and population settlements. For this reason construction for education in Table 5 indicates an increasing trend from 2000/01 to 2003/04. However, one must not lose track of the constant escalation in building costs. Spending on upgrading and rehabilitation augments construction spending in 2003/04. Maintenance expenditure in education makes up an average of about 40% of total maintenance of Public Works. As previously stated, this maintenance expenditure excludes day-to-day maintenance, which has been decentralised to departments.

Demographic factors such as migration, population growth and the impact of HIV/Aids also plays a part in the planning and provisioning of educational facilities. The Department of Environmental Affairs and Development Planning commissioned a migration study in the Western Cape province. This study indicated that some 12 000 households are expected to enter the Province annually. This was confirmed by the Census 2001, which indicated that the population of the Western Cape had grown by 14% from 1996 to 2001. Education planners use a norm of 1 000 households to justify the establishment of a primary school and 2 000 households to justify the establishment of a secondary school. This implies that 12 new primary and 6 new secondary schools will be required on an annual basis. However, other demographic projections

(Dorrington, *et al*) show a deviation in the school going population from roughly 2015 onwards. This should be borne in mind in any school-placing programme.

Other infrastructure (Provincial buildings)

Expenditure on general provincial buildings is mainly construction and maintenance, with maintenance receiving the greater part of the funds. One of the reasons for this is that offices are needed in previously disadvantaged areas. Maintenance of provincial buildings increases substantially over the period 2001/02 to 2003/04, resulting in maintenance on general buildings averaging 10% of the total maintenance expenditure. It would appear as if the department spends too much on general provincial buildings *vis a via* education and health building. This scenario might need correction in future years. The Provincial Building portfolio includes all office buildings, inclusive of Social Services area offices and Education Management and Development Centre (EMDC), buildings for general use such as parking areas, storage buildings, prestige buildings such as Leeuwenhof and Artscape, the Cape Administrative Academy buildings, museums and buildings for Community Safety.

Other Departments

Building Audit Programme (BAP) vs Actual Allocations

As previously stated, even though the current budgetary allocations for maintenance are nowhere near the estimated requirements in terms of BAP, the BAP can still be used as a prioritisation tool.

Currently the total maintenance expenditure has increased from R71,167 million in 1999/2000 to a high of R143,289 million in 2003/04 before dropping to R145,853 million in 2004/05. From Table 5, the average allocation received by Education amounts to 42%, Health 29%, Provincial Buildings 17.7% and Other Departments 10.86%. The BAP indicates that the Schools/Education backlog amounts to 48% of the total maintenance backlog, Health 45%, General Buildings 5% and Rental Properties, 2%.

When compiling the BAP, Provincial Buildings and Other Departments are included in General Buildings. Other Departments, on the other hand, includes the expenditure for rental properties. Thus, when comparing BAP and Table 5, BAP reflects a general building maintenance backlog of 7% (5% + 2% rental buildings) of the total backlog, and Table 5 reflects an average allocation of 28.56% (Provincial Buildings 17.7% plus other departments 10.86%). The allocation for general buildings in terms of the Table 5 appears to be too high. However, an amount of approximately R10 million is needed for day-to-day maintenance for the Provincial Building's portfolio and this amount is reflected in the maintenance allocation. The amounts shown in Table 5 must be seen in the light of the fact that day-to-day maintenance is included in the allocation for Provincial Buildings and Other departments, whereas day-to-day maintenance of Other Departments is reflected on their own budget. The responsibility to keep our prestige accommodation in good condition must not be ignored. Funding for items such as security for VIP accommodation and Leeuwenhof must also be funded from this item.

Roads infrastructure

The Roads infrastructure programme consists of six sub-programmes, namely Programme support, Planning, Design, Construction, Maintenance and Technical support. The main function of this programme is to maintain and construct trunk, main, divisional, minor and access roads.

Table 6: Transport Expenditure 2001/2002 to 2005/06

Sub-programme	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Change Budget to Actual	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Programme support	3 163	2 740	3 233	(15.25)	3 285	3 265
2. Planning	22 228	34 282	24 681	38.90	25 329	26 511
3. Design	18 078	27 886	34 423	(18.99)	36 396	38 278
4. Construction	133 106	145 757	113 420	28.51	125 933	175 125
5. Maintenance	244 583	378 917	304 408	24.48	389 356	423 716
6. Technical support	5 788	8 308	7 925	4.83	8 764	8 665
Departmental totals	426 946	597 890	488 090	22.50	589 063	675 560

As can be seen in Table 6, the overall expenditure trend for Roads infrastructure has increased only marginally from 2001/02 to 2003/04, however, the increases thereafter are more substantial.

Sub-Programmes 4 and 5: Construction and maintenance

In 2001/02 the sub-programme spent more than was originally voted, as R329,379 million was voted at the beginning of the year and the actual expenditure amounted to R426,675 million. The increased spending was mainly due to the dry weather experienced in February and March 2002, thus confirming the trend that roads expenditure increases considerably in the summer months. This has also shown Roads' ability to spend at a faster rate than Public Works, as roads is its own policy and implementing agent (fewer roleplayers).

The increased spending in 2001/02 has enabled the sub-programme to achieve almost all targets set in the strategic plan. Maintenance of gravel roads met 39% of the need compared with the target of 28%, maintenance of surface roads met 61% of the need, compared with the target of 48%, 5% of the need for regravelling was met compared with the target of 6% and 37% of the resealing need was met against the targeted 20%. From these statistics it is quite obvious that current expenditure does not nearly match the need in terms of maintenance and resealing.

It is also clear that the current expenditure does not nearly meet the future need for rehabilitation/reconstruction regravelling. It is far below economic levels, making it impossible to apply optimal strategies, and only short-term, crisis management can be applied to try and protect our valuable assets. Projects involving upgrading, safety, congestion and extension of the network have low priority under these circumstances. Failure to spend efficiently on roads in the short term makes it more expensive to retrieve

the situation in the medium term by means of rehabilitation. As mentioned previously, when a road can no longer be resealed, it costs at least seven times more to rehabilitate and it costs more than 16 times to reconstruct. In the long term, as is sadly evidenced in other parts of the world, a point of no return is reached and it becomes impossibly expensive to rehabilitate the roads infrastructure, which declines to the point of disintegration. In turn, this means that the enormous amounts of money needed by then cannot be found to rehabilitate the roads because they are too bad to attract the necessary investment and facilitate the necessary wealth creation. There is thus a "shadow line" in respect of inadequate expenditure on roads, which the Western Cape has been moving towards for some time. Once crossed, this "shadow line" makes recovery impossible. Obviously, it is imperative to avoid crossing this "shadow line" altogether.

From the aforementioned statistics it is obvious that current expenditure does not nearly match the need in terms of maintenance and resealing. The road network consists of 6 350 km of paved roads and 31 600 km of gravel roads (including 21 000 km of minor roads). In terms of the 2001/02 annual report the then backlog amounts to R1,6 billion, consisting of R593 million for rehabilitation, R300 million for resealing, R488 million for regravelling and R265 million for routine maintenance. As mentioned before this excludes any upgrading of infrastructure or any new infrastructure.

Public transport

Table 7: Public Transport

Sub-programme	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	MTEF 2004/05 R'000	% Variance (Real)	MTEF 2005/06 R'000
1. Programme support	8 274	13 035	5 590	6 750	20.75	7 430
2. Planning			27 570	31 925	15.80	35 091
3. Infrastructure	7 170	26 971	65 324	76 065	16.44	80 431
4. Empowerment and institutional management	4 220	5 993	5 756	6 409	11.34	4 499
5. Safety and compliance			13 531	29 857	120.66	29 477
6. Regulation and control			14 686	18 748	27.66	20 295
Departmental totals	19 664	45 999	132 457	169 754	28.16	177 223

In 2002/03 the emphasis has been placed on public transport, for it no longer forms part of the Roads infrastructure Programme but has been made a separate programme. The allocation for Public Transport increases by 412,3%, from R19,665 million in 2001/02 to R132,457 million in 2003/04, mainly at the expense of Roads.

Capital public transport projects are expected to increase from R7,286 million in 2001/02 to R27,787 million in 2002/03, R85,336 million in 2003/04, to R100,617 million in 2004/05 and to R100,617 million in 2005/06. The question whether these increases are realistic is a matter of concern. Added to this, the budget documentation does not give a further breakdown of the projects planned. This is a serious flaw in the current

documentation as the expenditure represents 10% of capital expenditure for 2003/04 and 11.34% in 2005/06.

Conclusion

In order for this department to make real inroads into the infrastructure backlogs, both in terms of maintenance and new demands, the budget allocation to this department will need to increase in real terms and be substantially augmented. However, such increases should stimulate economic activity in the Province, with accompanied increases in job opportunities, and should have a positive impact on poverty and, hopefully, the social service sector.

With regard to Public Works it is imperative that consolidated departmental five-year accommodation plans be compiled as a matter of urgency in order to determine realistic expenditure levels – demographic factors and spatial distribution in the Province, particularly in the Cape Metropole. The accommodation plan should ultimately ensure efficiency gains for the Province in terms of utilising resources optimally.

Similarly, future resource allocation towards road infrastructure should be underpinned by a technical, economic and socio-economic analysis of the road network or its extension in order to direct funds more appropriately.

The roads allocation should be utilised to encompass and integrate economic development and tourism so as to regenerate/stimulate economic growth by creating sustainable employment opportunities and addressing black economic empowerment and economic inequalities.

Without the capacity and availability of a clear prioritisation framework for infrastructure couched in engineering, social and especially economic terms, the expected rate of return on investment will not be achieved.

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AGRICULTURE

Introduction

The Department's mission is to promote, by means of technology development and transfer, land reform and agricultural training, sustained agricultural production and marketing of the entire community, by creating food security, improving personal income and general quality of life. In pursuing this mission the department intends to realise its vision to be globally successful, competitive, inclusive and in balance with nature.

The core functions of the department are to:

- Conduct the overall management and administrative support of the department.
- Research, develop, adapt and transfer appropriate agricultural technology for farmers and other users of natural agricultural resources and develop support programmes for farmers.
- Provide farm services to research units of the department.
- Provide a support service to enhance the sustainable utilisation of natural agricultural resources to conserve the environment.
- Plan and develop agricultural engineering products and render advice to farmers and other institutions.
- Promote sustainable agricultural development in historically disadvantaged communities.
- Minimise and monitor animal health risks.
- Enhance the hygiene management at meat and dairy establishments in accordance with national and international standards for service delivery and export certification.
- Provide agricultural training to, and create opportunities for practicing and prospective farmers (commercial, emerging and subsistence), advisors, technicians and farm workers.

The department's budget constitutes 1.03% of the 2003/04 provincial budget. Over the MTEF period the relative budget share stays constant at 1.12% and 1.10% for 2004/05 and 2005/06 respectively.

For the 2003/04 budget, the department implemented a new programme structure, since it became a separate department (previously a branch) after the 2002 departmentalisation process.

The department, as part of the National Chief Financial Officers Forum on Agriculture, under the auspices of National Treasury, is in the process of developing a uniform programme structure for the sector for 2004/05 to make inter-provincial comparison possible.

The Department has its head office on the Elsenburg Farm near Stellenbosch. It has an Agricultural development centre at Elsenburg as well as 9 experimental farms and 15 information offices throughout the province. The department's service area covers approximately 13 million hectares, of which 3 million hectares are under cultivation and 270 000 hectares are under irrigation.

⁶⁷The department plays an important role in implementing agricultural policies to ensure the effective use of agricultural land, and for supporting the implementation of the Land Reform for Agricultural Development (LRAD) programme. The department assists in identifying beneficiaries of land redistribution and ensuring that plans for proposed land-use projects are economically and environmentally sustainable. The department must also render support to those beneficiaries after they have been settled.

Funding

Funding for the vote for the 2003/04 financial year comprises 89.58% from the equitable share, 4.29% from the national conditional grant for Poverty Relief and Infrastructure, and 6.13% from own generated revenue.

Expenditure trends 2000/01 to 2005/06

Table 1: Trend comparison

Expenditure trends							
Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	11 856	16 067	17 227	31 815	74.12	29 286	29 925
2. Technology development and transfer	27 719	30 537	34 014	39 142	8.50	49 811	54 604
3. Agricultural engineering	19 726	28 187	34 810	33 930	(8.10)	38 703	46 837
4. Veterinary services	11 769	13 472	14 843	19 350	22.91	23 570	25 920
5. Agricultural training	9 014	11 306	14 403	15 869	3.88	18 036	14 136
6. Farmer settlement	13 558	14 788	16 031	30 831	81.32	38 640	36 395
Total	93 642	114 357	131 328	170 937	22.72	198 046	207 817

⁶⁷Source National Treasury Intergovernmental Fiscal Review 2003

Expenditure trends							
Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
Standard item							
Personnel	64 733	68 268	74 521	92 582	17.13	97 791	102 665
Administrative	10 981	13 584	14 059	17 690	18.63	19 963	20 350
Stores and livestock	5 910	6 145	7 158	8 305	9.39	10 933	11 070
Equipment	2 254	4 351	4 308	13 812	202.28	13 149	12 472
Land and buildings							
Professional and special services	7 104	15 320	19 347	24 447	19.13	44 048	49 090
Transfer payments	2 170	6 226	11 742	14 090	13.13	12 150	12 158
Miscellaneous	490	463	193	11	(94.63)	12	12
Total	93 642	114 357	131 328	170 937	22.72	198 046	207 817
Economic classification							
Current	86 964	103 064	120 181	146 857	15.21	165 370	175 919
Personnel	64 733	68 269	74 521	92 582	17.13	97 791	102 665
Transfer	164	3 280	8 029	12 213	43.41	12 023	12 017
Other current	22 067	31 515	37 631	42 062	5.38	55 556	61 237
Capital	6 678	11 293	1 1147	24 080	103.67	32 676	31 898
Acquisition of capital assets	4 508	8 156	7 434	22 203	181.59	32 176	31 390
Transfer	2 170	3 137	3 713	1 877	(52.34)	500	508
Total	93 642	114 357	131 328	170 937	22.72	198 046	207 817
Difference		20 715	16 971	39 609		27 109	9 771
Nominal growth % (year on year)		22.12	14.84	30.16		15.86	4.93
Real growth % (year on year)		14.55	3.54	22.72		9.76	(0.20)
Average annual nominal growth % (2000/01 – 2003/04)				22.21			
Average annual nominal growth % (2003/04 – 2005/06)							10.26
Average annual real growth % (2000/01 – 2003/04)				13.33			
Average annual real growth % (2003/04 – 2005/06)							4.91

From Table 1 it can be deduced that, in aggregate, the Department of Agriculture's spending increased in real terms by 14.55% between 2000/01 and 2001/02, 3.54% between 2001/02 and 2002/03 and further increased by 22.72% in real terms comparing 2002/03 actual spending to 2003/04 budgeted allocation. The unprecedented growth is due to departmentalisation, as well as rapid and continuous growth in the process of farmer settlement. Furthermore, an average annual real growth of the department's spending from 2000/01 to 2003/04 financial years is 13.33% compared to the envisaged growth of 4.91% over the outer years (from 2003/04 to 2005/06 financial years).

Trends per programme

Administration, Veterinary services and Farmer settlement is the main programmes where expenditure has increased significantly.

Programme 1: Administration spending has increased in real terms by 74.12% from 2002/03 actual to 2003/04 budget, due to the appointment of new staff as a result of the departmentalisation. Over the outer years though, this program stabilised.

The allocation to Programme 3: Agricultural engineering has decreased in real terms by 8.10% from 2002/03 actual to 2003/04 budget, due to the department's functions shifting towards farmer settlement (programme 6), which have grown in real terms by 81.32% from 2002/03 actual to 2003/04 budget. However, agricultural engineering picks up rapidly again in the outer years.

The increase in real terms of 22.91% in the allocation to veterinary services (programme 4) is to improve the veterinary service delivery in the Province and to enable the maintenance and acceptance of sanitary guarantees to trade partners for the export of animals and animal products to consumers of food of animal origin.

Programme 6: Farmer settlement's sharp growth in spending of 81.32% in real terms from 2002/03 actual to 2003/04 budget is due to the LRAD projects, which is crucial for the overall economy but also to redress the imbalances of the past. This programme shows a decrease in the outer year.

Trends per Standard Item

Administrative expenditure, Equipment and Professional and special services are the standard items with the largest increase, in real terms by 18.63%, 202.28% and 19.13% from 2002/03 actual to 2003/04 budget respectively. The significant increase in real terms of 202.28% in the standard item equipment is mainly due to the increase of infrastructure and agricultural equipment on experimental farms for the LRAD program projects. However, the miscellaneous standard item decreased in real terms by 94,63% due to the non-recording of "theft and losses" items in the current financial year.

Trends per Economic Classification

Current expenditure by far outweighs capital expenditure in the department. The biggest part of the budget is allocated to personnel spending under current expenditure. The department's expenditure is mostly of a current nature. Capital expenditure increased in real terms by 103.67% from 2002/03 actual to 2003/04 budget due to the increase in the acquisition of capital assets such as agricultural equipment on experimental farms for the LRAD projects.

Assessment per programme (80/20 principle: main delivery (substance/focal) programmes)

Programme 1: Administration

The aim of the Administrative programme is to conduct the overall management and administrative support of the department and the branches within the department.

All the administrative functions regarding Casidra, previously called Lanok, a registered public government business enterprise with a 100% shareholding held by the Province of the Western Cape, have been consolidated in Agriculture from 1 August 2002. Agriculture provides in its budget under Programme 6: Farmer settlement for the annual transfer payments to Casidra as well as any other payments for specific management contracts. In 2002/03, R1,1 million was paid to Lanok under Vote 1: Premier, Director-General and Corporate Services as bridging finance for Anhalt farm (Haarlem), and a further R1,5 million under Vote 8: Planning, Local Government and Housing for infrastructure at Jackalskraal (Kranshoek). Performance agreements are annually concluded between Casidra and the Province.

Programme 2: Technology Development and Transfer

The Technology development and transfer programme's aim is to research, develop, adapt and transfer appropriate agricultural technology for farmers and other users of natural agricultural resources, to develop support programmes for farmers, and to create opportunities for the development of farmers and communities.

To reach the objectives the following strategies are envisaged:

- The execution of 163 research projects in the disciplines of animal production, plant production and resource utilisation.
- The execution of 142 guidance and advisory projects to support farmers and other users of natural resources by providing appropriate technology and advice.
- The continuous development, maintenance, implementation and application of qualitative and quantitative micro- and macro-economic models.

Programme 3: Agricultural Engineering

The Agricultural engineering programme aims to provide a support service to enhance the sustainable utilisation of natural agricultural resources so as to conserve the environment, to plan and develop agricultural engineering products, and to render advice to farmers and other institutions and farm services to research units.

The programme strategy includes:

- The conservation and improvement of soil in the Province and the maintenance and improvement of experimental farms. Transfer payments are made to farmers as a subsidy for the conservation and improvement of soil after they have met certain requirements set out by the Agricultural Board. Subsidies may vary from month to month.
- Facilitating the construction of soil conservation works such as counter banks, weirs, fences, drainage, waterways and stock watering systems.
- The continued implementation of modern farming practices and the maintenance and improvement of infrastructure.

Programme 4: Veterinary services

⁶⁸The Veterinary services focus on the facilitation of the export of animals and animal products, improving hygiene management procedures at dairy and ostrich meat export establishments, improving the management and diagnostic standards at the Provincial Veterinary Laboratory to enable ISO-accreditation by SANAS (South African National Accreditation Standard for laboratory), increasing the affectivity of animal disease surveillance through the establishment of a serum reference data bank at the Provincial Veterinary Laboratory, increased sero-surveillance for animal diseases and continuous veterinary interventions and regulatory control to maintain a favourable disease-free status.

There is an increased demand for rendering the above-mentioned services as well as providing regulatory service as required by the Meat Safety and Animal Disease Acts. This will involve the registration and maintenance of export standards at more than 450 export ostrich farms, 3 export ostrich abattoirs and almost 250 dairy farms participating in the export scheme of dairy and dairy products.

⁶⁹The department initiated an organisational and work-study investigation to determine the human resource requirements to serve the new client base. The proposed structure makes provision for the establishment of a dedicated unit to attend to aspects related to food safety, export facilitation, information management and strengthening the diagnostic capability of the Provincial Veterinary Laboratory. The budget was supplemented with an amount of R4,4 million for 2003/04 to implement the recommendations of the investigation, with a further amount of R4,6 million for 2004/05 and R4,8 million for 2005/06.

Programme 5: Agricultural Training

Agricultural training is to provide training to, and create training opportunities for, practising and prospective farmers, advisors, technicians and farm workers in previously disadvantaged communities and to enhance human resource development in agriculture. Following the expansion of the training cellar at Elsenberg, the number of students enrolled for the Diploma in Cellar Technology has doubled from 10 to 20. The aim is to ensure a skilled and trained farming community by providing Higher Certificate and Diploma training courses in appropriate fields to prospective farmers, farm managers and advisors. Substantial funds have been secured to expand practical training facilities at Elsenberg.

Students enrolled for the Higher Certificate in Agriculture increased by 17% from 2001 to 2003 (intake up from 120 in 2001 to 140 in 2003). The capacity to deliver on Further Education and Training (FET) has been further increased through the expansion of the human resource component. Currently training is being provided to approximately 1200 resource poor farmers and farm workers per annum.

⁶⁸ Source as per department's 2002/03 Annual Report

⁶⁹ Source as per department's Strategic plan

Programme 6: Farmer settlement

Farmer settlement mainly focused on the implementation of the LRAD program by ensuring improved co-operation between all stakeholders in the province (and actively promoting the LRAD program) and attending relevant land reform meetings. The programme, furthermore, focused on the implementation of agricultural infrastructure projects in rural and urban communities to address food security on the one hand and improving agricultural production through the effective use of natural resources on the other hand.

The programme's allocation has grown substantially by 81.32% from 2002/03 actual to 2003/04 budget due to the department's function shift from agricultural engineering towards farmer settlement. Farmer settlement grows in the MTEF period 2004/05 and then starts to decrease in the outer year (2005/06).

The department has Casidra a public entity under its control:

Casidra, previously called Lanok, is listed as a Schedule 3D Provincial Government Business Enterprise in terms of the Public Finance Management Act (Act 1 of 1999). The budget is allocated under the farmer settlement programme as a transfer payment.

It is Casidra's mission to improve the quality of life of particularly the low-income section of the population, mainly in rural areas of the Western Cape through integrated, people-orientated development, thereby aiding the establishment of self-sufficient communities.

Casidra's four main objectives, in line with the policy priorities of the Western Cape Provincial Government, are as follows:

- Poverty alleviation through economic growth,
- Development of human resources through training and empowerment,
- Financial independence through restructuring, and
- Effective business management.

Program descriptions vs KMO's vs allocation magnitude

The department's programme descriptions versus the key measurable objectives are relatively in line with the respective budget allocations. The department, as part of the National Chief Financial Officers Forum on Agriculture, under the auspices of National Treasury, is in the process of developing a uniform programme structure for the sector for 2004/05 to make inter-provincial comparison possible.

Changes to baseline/Shifts (trends)

Approval has been granted for the roll-over of R1,840 million pertaining to a saving on the 2002/03 national conditional grant allocation for provincial infrastructure, to 2003/04 as an adjustment to the original 2003/04 budget.

Relationship

- **With other programmes/institutions⁷⁰**

New mechanisms for better co-operation between the Department of Land Affairs, Agriculture and Land Bank were instituted during 2002/03 to facilitate the establishment of new farmers in terms of the LRAD program.

A new natural resource management methodology was introduced to district municipalities and all local municipalities in the form of Land Care Areawide Planning.

- **With revenue**

The increase in the revenue collected is mainly due to the additional income received as a result of the 7% increase in the annual enrolment fees in educational training programmes and the increase in the number of students enrolled this year of ± 25, which means additional board and lodging income, product sales and laboratory fees.

Specific and exclusive expenditure

The department has received the following specific and exclusive allocations in 2003/04:

Programmes	R'000
Programme 2: Technology Development & Transfer	
• Agricultural research	6 600
• National Conditional Grant: Provincial Infrastructure	24
Programme 3: Agriculture Engineering	
• Day-to-day maintenance	169
• Agricultural research	2 750
• National Conditional Grant: Land care and special food security	1 800
• National Conditional Grant: Provincial Infrastructure	2 860
Programme 4: Veterinary Services	
• Agricultural research	2 150
• Veterinary services	4 440
Programme 5: Agriculture Training	
• National Conditional Grant: Provincial Infrastructure	2 000
• Agricultural research	1 530
Programme 6: Farmer Settlement	
• Agricultural research	1 970
• National Conditional Grant: Provincial Infrastructure	580
• Land Redistribution for Agricultural Development	8 500

⁷⁰ Source as per 2002/03 Annual Report

Spending behaviour/patterns

It is difficult to determine trends, as the department was previously a branch of a bigger department. In the 2002/03 financial year the under spending was 4.45% of the budget, largely as a result of the department not being able to spend the funds allocated for the Provincial Infrastructure conditional grant.

Trends conditional grants

The department manages two National Conditional Grants, namely Land care and Special food security (Poverty relief) and Provincial Infrastructure. Table 2 below, displays the status of the spending on these grants.

Table 2: Budget vs Actual spending: 2002/03 to 2003/04

Conditional Grants	Budget / Adjusted 2003/04 R'000	Spending till August 2003/04 R'000	Budget / Adjusted 2002/03 R'000	Total spent 02/03 R'000	Spending % 2002/03	Spending % 2003/04
Poverty Relief	1 800	454	1 491	1 672	112.1	25.2
Infrastructure	5 464	408	9 621	7 781	80.9	7.5
Total	7264	862	11 112	9 453	85.1	11.9

Table 2 clearly indicates that the department has overspent on the Poverty relief grant for the financial year 2002/03 by 12.1% or R181 000. However, for the Infrastructure grant the department has under spent by R1,840 million, which has been approved as a roll over to the 2003/04 financial year. For the current financial year spending on the Poverty relief and Infrastructure grants are very slow at 25.2% and 7.5% respectively. Being already five months into the current financial year, only 11.9% has been spent, which could once again result in an under spending on the Infrastructure grant for the 2003/04 financial year.

Conclusions

Agriculture plays a strategic role in especially the rural economy of the Western Cape. The importance of food security and food safety is non negotiable in any modern nation, making the role of the Department of Agriculture crucial for the well being of the citizens of the Western Cape Province.

⁷¹The Provincial Minister of Finance and Economic Development 2003 said in his 2003 Budget Speech that, "Agriculture is a significant provider of unskilled and semi-skilled labour particularly in the rural areas. The rationale behind the increased spending on Agriculture is to foster further research into enhancing our competitiveness on international markets and so boosting exports and secondly further advancing the settlement of small farmers."

⁷¹ Source Western Cape Provincial Government Budget Speech 2003

Agriculture continues to grow significantly from R131,326 million in actual expenditure during 2002/03 to R170,937 million (R1,840 roll over included) for 2003/04, R198,046 million for 2004/05 and R207,817 million for 2005/06 financial years. Agriculture is a continuous process and therefore provision were made in the budget for R28,3 million for LRAD program projects and R14 million for Veterinary Services over the MTEF. The significant growth in the capital expenditure from R11,147 million in 2002/03 actual to R24 080 in the 2003/04 budget is mainly due to the acquisition of agricultural equipment on experimental farms for the LRAD program projects.

In co-operation with the Department of Land Affairs, the department is in the process of settling 7000 new entrants to agriculture in the first five years of LRAD program projects, empowering new farmers through infrastructure development, training and research, and further enhancing these settlement programmes. These new entrants have very special needs and in the next few years the challenge will be to successfully provide for their needs. In the interest of land reform the department has a responsibility to hasten this process.

Funds have been allocated to the department to fulfil the under-mentioned commitments related to the Land Redistribution for Agriculture Programme (LRAD):

- Small farmer settlement
- Water engineering services
- Technology transfer
- Training

Personnel expenditure constitutes about 57% for 2002/03 of the total expenditure and 54% for 2003/04. Thus, calculated risks related to the management of personnel expenditure need to be clearly motivated to prevent budget overruns, as manoeuvrability with non-personnel expenditure is limited.

Recommendations

It is recommended that before considering the allocation of additional funds to this vote in future financial years, the following should be taken into account:

- The department was previously a branch of Economic Affairs, Agriculture and Tourism, evaluating their spending trends is difficult.
- During the 2002/03 financial year the department under spent its budget by 4.45%, due to not being able to spend the Provincial Infrastructure conditional grant.

- The department's average annual real growth of spending over the 2000/01 to 2002/03 financial years was 13.33% compared to the envisaged growth of 4.91% from 2003/04 to 2005/06 financial years.

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LOCAL GOVERNMENT

Introduction

The department's mission is to ensure municipal success and sustainability over time. By pursuing this mission it intends to, over time, realise its vision of successful municipalities. The core functions of the department are:

- (a) advisory service on the application of local government legislation;
- (b) formulation of appropriate provincial legislation on local government;
- (c) the execution of legislation;
- (d) technical support with the review of municipal Integrated Development Plans (IDPs);
- (e) provincial disaster management;
- (f) support with municipal valuations;
- (g) co-ordination of presidential developmental initiatives i.e. Integrated Sustainable Rural Development Programme (ISRDP) and Urban Renewal Programme (URP);
- (h) conduct research initiatives in respect of local government;
- (i) support with the implementation of performance management;
- (j) promotion and co-ordination of internal and external training initiatives;
- (k) capacity building within local government;
- (l) facilitating the transfer of powers and functions between the provincial and local government spheres;
- (m) the implementation and maintenance of inter-governmental fora for good governance and sound relations;
- (n) implementation of management support programmes, and
- (o) promoting developmental local government.

Resulting from the provincial government's departmentalisation that took effect on 1 August 2002, the department has undergone fairly substantial internal organisational and programme restructuring and refocusing to improve its cohesion, direction and service delivery.

The department's budget constitutes 0.39% of the 2003/04 provincial budget (inclusive of a statutory amount). Over the Medium Term Expenditure Framework (MTEF) period the relative budget share decreases to 0.36% and 0.25% for the financial years 2004/05 and 2005/06 respectively. In 2005/06 the Local Government Capacity Building Fund grant is to be phased out, as it will flow directly to the local government sphere.

Funding

Funding for the department comprises of 62.37% from the equitable share, 37.62% national conditional grants and 0.01% from own generated revenue.

Expenditure Trends

Table 1 shows the performance of the department over the last 3 financial years, the budget for the current financial year and the subsequent MTEF years.

Table 1: Trend Comparison

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	1 836	2 829	4 997	17 854	236.86	17 695	17 864
2. Local government institutional services	2 212	2 090	2 671	4 774	68.51	4 463	4 009
3. Developmental local government	6 547	7 605	6 998	6 314	(14.93)	6 009	6 432
4. Local government monitoring and support	9 363	14 322	27 128	29 586	2.82	30 318	12 942
5. Co-operative governance	0	0	0	410		515	670
6. Disaster management	0	2 733	5 544	4 915	(16.42)	4 701	4 801
Total	19 958	29 579	47 338	63 853	27.17	63 701	46 718
Standard item							
Personnel	7 180	9 599	11 761	22 079	77.00	25 381	26 004
Administrative	1 073	1 034	1 330	4 568	223.82	4 341	4 476
Stores and livestock	448	122	320	563	65.88	663	513
Equipment	183	144	1 612	3 993	133.54	1 101	1 132
Land and Buildings							
Professional and special services	3 397	1 946	10 389	15 780	43.21	17 085	10 680
Transfer payments	7 622	16 728	21 675	16 800	(26.92)	15 050	3 823
Miscellaneous	55	6	251	70	(73.71)	80	90
Total	19 958	29 579	47 338	63 853	27.17	63 701	46 718
Economic Classification							
Current	19 908	29 558	45 891	60 083	23.44	62 823	45 809
Personnel	7 180	9 599	11 761	22 079	77.00	25 381	26 004
Transfer	7 622	16 728	21 675	16 800	(26.92)	15 050	3 823
Other current	5 106	3 231	12 455	21 204	60.51	22 392	15 982
Capital	50	21	1 447	3 770	145.64	878	909
Acquisition of capital assets	50	21	1 447	3 770	145.64	878	909
Transfer							
Total	19 958	29 579	47 338	63 853	27.17	63 701	46 718
Difference		9 621	17 759	16 515		(152)	(16 983)
Nominal Growth %		48.21	60.04	34.89		(0.24)	(26.66)
Real Growth %		39.02	44.30	27.17		(5.49)	(30.25)
Average annual nominal growth % (2000/01 – 2003/04)					47.35		
Average annual nominal growth % (2003/04 – 2005/06)							(14.46)
Average annual real growth % (2000/01 – 2003/04)					36.64		
Average annual real growth % (2003/04 – 2005/06)							(18.61)

The average annual nominal growth rate for the period 2000/01 to 2003/04 is an increase of 47.35% whereas in real terms it is 36.64%. This expenditure growth can mainly be attributed in the increase in the conditional grant: Local Government Capacity Building Fund from R5,240 million in 2000/01 to R17,5 million in 2001/02. The average annual nominal growth rate for the period 2003/04 to 2005/06 decreases to 14.46% and in real terms by 18.45% as the Local Government Capacity Building Fund grant is to be phased out in 2005/06 and flow directly to the local government sphere thereafter. The decrease in the budget, due to the function reallocating, is evident in the budget figures for Programme 4: Local Government Monitoring and Support for the outer year 2005/06.

The department's spending increased in both nominal and real terms by 60.04% and 44.3%, respectively or approximately R17,759 million between 2001/02 and 2002/03. The reason for this is explained above. Expenditure increased in both nominal and real terms by 34.89% and 27.17% respectively, or R16,515 million between 2002/03 and 2003/04. The reason for this is explained below.

The growth from 2002/03 to 2003/04 in Programme 1: Administration of 236.86% is due to the Provincial Government's departmentalisation that took effect on 1 August 2002 where funds were received for the corporate support service i.e. the human resource management function and the chief financial officer function and for the management of the new department's establishment.

Programme descriptions vs Key measurable objectives

With the implementation of uniform programme structures in 2004/05, uniform programme descriptions and key measurable objectives must also be developed for the uniform programme structures.

Trends conditional grants

The department has two conditional grants namely the Local Government Capacity Building Fund grant and the Consolidated Municipal Infrastructure Programme grant, which consists of 32.44% and 5.18% of the department's budget, respectively in 2003/04. These grants form part of the budget of Programme 4: Local Government Monitoring and Support.

Table 2 sets out the budget vs actual expenditure for the period 2000/01 to 2005/06 for the Local Government Capacity Building Fund grant.

Table 2: Budget vs actual expenditure

	2000/01 R'000	2001/02 R'000	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Actual Expenditure	6 583	5 890	15 377			
Adjusted Budget/Budget	13 704	19 600	30 210	35 547	19 302	
Under/(Over) expenditure	7 121	13 710	14 833			
Under/(Over) expenditure %	51.96	69.95	49.10			

The late approval of the business plans in 2000/01, 2001/02 and 2002/03 caused the late transfer of funds from the National Department of Provincial and Local Government to this Province. This resulted in the Department underspending substantially on this grant with 51.96%, 69.95% and 49.1%, respectively, as it was not in a position to transfer the funds to the municipalities. There was no expenditure incurred by the municipality as a transfer is only made after receipt of certified claims to prevent fiscal dumping⁷².

The resultant under expenditure caused the Department to request the roll-over of the funds to the subsequent financial year. From 2000/01, R2,1 million, from 2001/02, R13,710 million and from 2002/03, R14,883 million was rolled over to the following financial year.

The Local Government Capacity Building Fund grant is to be phased out in 2005/06 as it will flow directly to the local government sphere and thereafter.

During 2002/03 eleven management support programmes were implemented at municipalities in distress. Table 3 gives the name of these municipalities and the amounts allocated to them.

Table 3: Management support programmes allocation

Municipality	2002/03 Allocation R'000
Cederberg Local Municipality	1 000
Saldanha Local Municipality	1 500
Witzenberg Local Municipality	2 000
Breede Valley Local Municipality	3 012
Theewaterskloof Local Municipality	1 000
Langeberg Local Municipality	1 000
Plettenberg Bay Local Municipality	1 057
Beaufort-West Local Municipality	1 500
Swellendam Local Municipality	2 000
Kannaland Local Municipality	1 000
Laingsberg Local Municipality	1 500
Total Allocation	16 569

Table 4 sets out the budget vs actual expenditure for the period 2000/01 to 2005/06 for the Consolidated Municipal Infrastructure Programme grant.

⁷² Department of Local Government; 2002/03 Annual Report

Table 4: Budget vs actual expenditure

	2002/03 R'000	2003/04 R'000	2004/05 R'000	2005/06 R'000
Actual Expenditure	8 701			
Adjusted Budget/Budget	8 843	3 357	3 508	3 738
Under/(Over) expenditure	142			
Under/(Over) expenditure %	1.61			

This grant was included in 2002/03, which is the capacity building portion of the Consolidated Municipal Infrastructure Programme, which formerly formed part of the Consolidated Municipal Infrastructure Programme agency payment.

The decline in the Consolidated Municipal Infrastructure Programme grant from R8,843 million in 2002/03 to R3,307 million in 2003/04 was used to augment the Local Government Capacity Building Fund grant. This is a first step in the national government's initiative to create a single municipal capacity building fund grant.

Of the resultant under expenditure of 1.61% in 2002/03 the Department requested to roll-over R0,050 million to 2003/04. This was mainly due to the receipt of a late additional allocation in 2002/03.

During 2002/03 capacity building programmes flowing from the Consolidated Municipal Infrastructure Programme grant were targeted at aspects, which relate to the creation, management and maintenance of infrastructure. The programmes were designed and presented to municipal officials by means of 9 workshops with 291 municipal officials attending from every municipality on the following subjects⁷³:

- Local Economic Development (LED) workshops
- Water and waste management
- Electricity management
- Traffic engineering
- LED project management
- Advanced driver training
- Financial management for engineers

Spending behaviour/patterns

The department has a history of underspending, which is mainly due to the non-filling of vacant posts and the department's business plans for the conditional grant: Local Government Capacity Building Fund that have been approved late in the financial year by the national department of Provincial and Local Government. As a result funds/cash from the latter to this Province were received late, which resulted in the underspending

⁷³ Department of Local Government; 2002/03 Annual Report

as funds were not transferred to municipalities within the financial year and municipalities did not incur any expenses.

Changes to baseline/Shifts (trends)

The Department's request to roll-over an amount of R14,883 million to 2003/04 has been approved. This amount constitutes funds, which are to be utilised for the Local Government Capacity Building Fund grant and the Consolidated Municipal Infrastructure Programme grant.

Norms and standards (variance budget vs expenditure)

The norm according to the Normative Measures document is that the variance can't be more or less than 2% of the budget. The Department of Local Government's 2002/03 Annual Report, reports a substantial under expenditure of 31.97%.

Since this department only came into existence on the 1 August 2002 there are no figures to make a proper comparison of the under expenditure variances.

Relationships with Other votes

The department is responsible for driving and coordinating the Urban Renewal Programme with Khayelitsha and Mitchells Plain as nodes, and the Integrated Sustainable Rural Development Programme, with the Central Karoo as a node, on behalf of the national Department of Provincial and Local Government⁷⁴, where other provincial departments also have a role to play. They therefore have to be actively involved with other departments to achieve the goals of the projects.

The goals for the Urban Renewal Programme are as follows:

1. Reducing levels of unemployment through economic development and job creation.
2. Reducing crime levels and gangsterism.
3. Creating and maintaining a healthy clean environment.
4. Raising levels of education, training and skills development in a safe environment and entrenching a culture of lifelong learning.
5. Restoring and maintaining the dignity of needy people through well-managed safety nets in ensuring better access to social services at affordable and sustainable level.
6. Provision of affordable housing opportunities; upgrading of existing housing environment and densification of appropriate land.
7. Increasing connectivity through improved transport systems.
8. Community participation and promotion of civic pride.
9. Improving effective governance.

⁷⁴ Department of Local Government; 2002/03 Annual Report

The goals for the Integrated Sustainable Rural Development Programme are as follows:

1. Developing economic potential with appropriate skills and entrepreneurial response.
2. Investment in the social upliftment of the people of the region.
3. Improving infrastructure essential to economic development.
4. Ensuring efficient access to basic engineering services that ensures quality of life.
5. Exploit land and agricultural opportunities.
6. Ensure a clean and healthy environment and sustainable use of resources.
7. Improving effective governance.

The provincial departments considered their contribution to the Urban Renewal Programme and the Integrated Sustainable Rural Development Programme in attaining the aforementioned goals through service delivery adjustments and special projects. However, the answer will be realised over time and not answered within an existing financial year.

The result of this is an estimated cost of R616,804 million in 2003/04 that can be broken up for each node as follows:

- Khayelitsha: 123 Identifiable projects/services = R263,532 million
- Mitchell's Plain: 125 Identifiable Projects/Services = R148,496 million
- Central Karoo: 261 Identifiable Projects/Services = R204,776 million

Developmental local government means a local government committed to “work with citizens, groups within the community and other spheres of government to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”. It should target especially those members and groups within communities that are most often marginalised or excluded, such as women, disabled people and very poor people.

From a provincial perspective the department should establish itself as a formidable player in coordinating and driving the processes to ensure that local government becomes developmental in their approach and fulfil their new role as required by the Constitution as one of the mechanisms that would enable the Provincial Government to assist local government in fulfilling their developmental role is the realisation proper municipal integrated development plans. Premised on this, the department should engage provincial departments to yield a necessary paradigm shift on the importance of the integrated development plans.

Although the Provincial Administration: Western Cape must establish a provincial Integrated Development Plan framework (a synthesised *iKapa elihlumayo* high level strategy), the department has an important role to fulfil in this by feeding in the main thrust of municipal integrated development plans. In addition, the department must monitor the contributions and assistance by provincial departments that are tied into

municipal integrated development plans to ensure that the respective projects and initiatives undertaken in the different jurisdictional areas of municipalities are realised.

Municipal Finance Management Bill

The National Treasury compiled a Municipal Finance Management Bill, which was tabled in the National Parliament, deliberated in the Portfolio Committee on Finance and presented by the Portfolio Committee on Finance to the National Council of Provinces for passing by the National Assembly as an act. For further detail on the legislative progress, please see the Local government review.

The Municipal Finance Management Bill, once enacted, will have a major impact on the department's activities and its available resources. The Act in all likelihood will be in use in the next municipal financial year i.e. the 2004/05 financial year.

Conclusion

This is a new department in terms of the departmentalisation model that started to function on 1 August 2002, and will consequently require some restructuring and consolidation. However, this process is still ongoing as the department is awaiting the anticipated enactment of the Municipal Finance Management Bill.

Although the Department underspent in the past, the important role it is required to play in supporting municipalities needs to be acknowledged.

Way forward

The process of approving business plans required in terms of the National Local Government Capacity Building Fund conditional grant needs to be streamlined to prevent underspending in the future.

The department should engage the other provincial departments to yield a necessary paradigm shift on the importance of the integrated development plans and in pursuance thereof the department must feed into the provincial Integrated Development Plan.

The implementation of the Municipal Finance Management Bill, once enacted, will affect resources of the department, and also the Provincial Treasury. However, financial pressure in this regard will result in an unfunded mandate if funding is not channelled in favour of provinces through the vertical division of revenue collected nationally.

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ECONOMIC DEVELOPMENT AND TOURISM

Introduction

The vision of the Department of Economic development and tourism is to have a dynamic, socially and environmentally responsible world-class economy, which reduces poverty in South Africa's Western Cape. Its mission is to promote growing the Cape into a world-class economy for the equitable benefit of all inhabitants, thereby reducing economic disparities between people. The department also plays a role in facilitating the growth and transformation of the economy, by growing the sectors of the economy with the most potential, while transforming them to incorporate the historically marginalized. The department also plays a leading role in getting the Western Cape on line and to ensure that the province, its citizens and its businesses derive maximum benefit from the knowledge economy.

An adjusted budget of R125,924 million (inclusive of the R45,2 million for *iKapa elihlumayo*) was allocated to the department in 2003/04, and within this envelope it gives effect to its vision and mission.

For the 2003/04 budget, the department implemented a new programme structure, since it became a separate department. This initiative, however, makes comparisons to previous financial years very difficult, as no system based comparative figures are available.

Demands and changes in services resulted in departmentalisation and this department's administration items expanded to facilitate the establishment of a corporate service component. In order for the department to build and spread the benefit of the Western Cape economy, it has to focus its attention on growing sectors into which historically marginalised business and individuals can sustainably be incorporated.

The department operates from a head office in Cape Town and was formally established as a department on 1 August 2002. Before 1 August 2001 it was part of the department of Economic Development, Tourism And Agriculture.

Funding

Funding for the vote comprises of 95.48% from the equitable share and 4.52% from own revenue.

Public entities

The following is a list of public entities under control of the department:

- Western Cape Investment and Trade Promotion agency (WESGRO)
- Western Cape Liquor Board (WCLB)
- Western Cape Tourism Board (WCTB)

Western Cape Investment and Trade Promotion agency (WESGRO)

Mandate

Clause 4 of the Western Cape Investment and Trade Promotion Law (No. 3 of 1996) provides the Agency with the following mandate:

- (a) to promote investment in and trade with the Western Cape, and to identify, analyse, publicise and market investment and trade opportunities in the Western Cape economy in such a manner and by such means as the Board may from time to time deem appropriate, and
- (b) to undertake, at the request of the Responsible Member or other stakeholders or agencies, activities for which the necessary resources can be raised and which, in the opinion of the Board, will contribute to the strengthening of the Western Cape economy and/or promote equitable participation in the economy by sectors of the community and/or regions of the Western Cape.

Vision

To be a leading internationally recognised investment and trade promotion agency.

Mission

To create jobs and stimulate economic development, Wesgro's mission is to facilitate, support and connect foreign and local business, as well as proactively identify business opportunities to promote investment and trade within an equitable and empowering context.

An extract from the chairperson's Review as published in Wesgro's Annual Report 2003:

"Wesgro was severely affected during the year by the initiatives taken by our major stakeholders, the Provincial Government and the City of Cape Town, to transform the publicly funded agencies in the Western Cape. Whilst fully supporting the need for transformation and the steps taken in this regard by our stakeholders, I must record that there were unfortunate side effects. An unexpected budgetary reduction had a serious impact on the Agency, with a consequent negative effect on staff morale, and on the scope of activities the Agency was able to handle."

A further major consideration that emerged from the transformational process was the question as to whether Wesgro should continued in the future to handle investment and trade, as specified in its mandate, or to focus on investment only. Unfortunately, it has taken an extended period to finalise the issue, and until it is decided, Wesgro shall continue to work according to its mandate.

In November 2003, the Provincial Government undertook a formal review of the activities of its public agencies. The results of this process have not yet been published, but are expected for the immediate future. I sincerely hope that it will result in a clearly defined mandate for Wesgro. Effective delivery is essential at this time, and this Agency has an important role to play in the development of the regional economy.”

The latest indications from the department are that they are satisfied with the transformation that has taken place in the past year that, in monetary terms, they support them in full again.

Wegro’s performance is monitored through quarterly reports and regular board meetings. It submits a year-end audit with financial statements. During 2002/03, the department budgeted R3,5 million for Wesgro, with the City of Cape Town contributing a further R7 million. However, the actual contributions from the department was reduced to R0,750 million, while the actual contribution from the city was reduced to R4,5 million. Resultantly the gross income of Wesgro was reduced to R8,703 million in 2003 against R10,539 million in 2002. The expenditure decreased from R12,245 million in 2002 to R11,073 million in 2003. Wesgro’s deficit per year increased from R1,705 million in 2002 to R2,370 million in 2003.

Western Cape Liquor Board (WCLB)

The function of the Liquor Board is to regulate the liquor industry in the Western Cape. Officials of the department perform the administrative functions of the Liquor Board. It does not have a separate budget; hence no transfer payments were made. The allocated budget is part of the departmental budget, therefore the financial performance forms part of the financial performance of the department and is included in the financial statements for the department.

Western Cape Tourism Board

The Board was established under the Western Cape Tourism Act, 1997 (Act 3 of 1997). The functions of the Board are, inter alia:

- a) To promote tourism by encouraging persons to undertake visits to and in the Province,
- b) To formulate a comprehensive tourism policy for the Province,
- c) To develop the tourism industry in the Province,
- d) To keep a register of institutions, organisations and persons providing services and facilities to tourists in the Province, and

- e) To protect and advance within the tourism industry emerging business and persons or categories of persons disadvantaged by unfair discrimination.

Extract of the chairperson's review as published in the 2002/03 Annual report:

"Our focus has been on bringing the benefits of tourism to the development sector of the market and we will continue to give our full support to those who have asked for our help. We are committed to uplifting communities, creating job opportunities and spreading the benefits of successful tourism to all by marketing our province to the widest possible audience of local, national and international tourists.

We measure our success on the number of travellers we can get to visit the province, enjoy their stay here and spend their money here. The days of tourism benefiting the few at the expense of many are long gone.

Other initiatives that looked particularly encouraging during the period under review include real progress with the formation of a joint Destination Marketing Organisation (DMO), the steady appearance of a new landmark, the Cape Town International Convention Centre, and increased co-operation between the public and private sectors in tourism.

There are, however, a few remaining critical issues that need attention. There is a dire need for improved communication between the various Government and private sector structures in tourism. Only then can we obtain full buy-in for a shared tourism vision for the Western Cape."

Extract of the Chief Executive Officer's Report as published in the 2002/03 Annual Report:

"The Tourism Marketing Framework for Cape Town and the Western Cape proposes a range of actions and initiatives to facilitate transformation and Black Economic Empowerment through facilitating market access to black owned companies, promoting affirmative procurement systems, training and capacity building. The new Destination Marketing Organisation (DMO) should be equipped and capacitated to effectively tackle this challenge.

There is no doubt that the Cape suffers from a fragmentation of tourism bodies, brands and funds. As a result, scarce manpower and funds are not optimally applied in accordance with a single tourism marketing strategy.

In September 2002, the Minister requested a task team of leading tourism role players to devise a single tourism marketing strategy for Cape Town and the regions of the Western Cape and to propose the most appropriate institutional arrangements to execute the strategy.

This approach was endorsed by the Executive Councillor for Economic Development and Tourism in the city of Cape Town. As a result, the project was truly a joint effort of

local and provincial government and the private sector. Various board members of the Western Cape Tourism Board (WCTB) participated in the task team and the CEO provided technical support to the group.

The “Strategic Tourism Marketing Framework: Cape Town and the Western Cape” produced by the task team was widely accepted and the Minister and Councillor were to sign an agreement in June 2003 to form a single Destination Marketing Organisation (DMO) to market leisure tourism, conferences and major events in Cape Town and the regions of the Western Cape.

As a first step in the formation of the DMO, the City and Province indicated that they would establish a transitional Section 21 Company as forerunner to a new statutory marketing agency, to be formalised towards the end of 2003. As the agreement requires the Province to match the City on a Rand-for-Rand basis towards a joint marketing budget, the provincial tourism marketing allocation would have to increase to R30 million during 2004/05.

Such a joint marketing organisation and budget will significantly improve the marketing muscle of the region, resulting in:

- A greater focus on new and emerging markets that we have not been able to target, such as China, Japan, India, Italy, France, Spain and Eastern Africa;
- A great ability to target and expand lucrative market segments such as conventions, incentives, golf tourism, adventure tourism and cultural tourism;
- The capacity to establish and market major, world class sport and cultural events that could play a key role in positioning the Cape as a year round tourism destination;
- The ability to target the South African domestic tourism market more aggressively. There is a large new growth market of emerging travellers who could not do so in past years and who are now in a position to spread their wings;
- Improved capacity to research and monitor the market in order to understand the needs and travel patterns of our potential customers and to achieve the best return on investment;
- A joint membership system, product database and e-business technology that will allow us to promote all tourism areas and businesses in the province through sophisticated technology and information management systems.

These are only a few advantages of a joint marketing approach and the Western Cape Tourism Board believes that the proposed DMO will introduce a new era in tourism co-operation and effectiveness.

The Accounting Officer of the Board accounts for all money received, all payments made and all property acquired, received, held, disposed of by the Board. The department receives quarterly reports from the Board. An amount of R3,950 million was transferred to the Board during 2002/03 by the department out of the Board’s total income of R12,360 million.

Expenditure and budget trends

The trend comparison in Table 1 below shows the expenditure performance of the department over the past three (3) financial years, the budget for the current financial year (2003/04) and the subsequent MTEF years.

Table 1: Trend comparison (2001-2006)

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	3 291	2 909	3 471	10 016	172.06	8 621	8 826
2. Enterprise development	15 378	20 068	14 577	23 512	52.07	24 071	25 530
3. Tourism	11 700	27 838	124 419	40 722	(69.14)	17 217	18 048
4. Knowledge economy e-government		1 418	4 216	6 474	44.78	11 733	12 342
Total	30 369	52 233	146 683	80 724	(48.11)	61 642	64 746
Standard item							
Personnel	7 070	8 484	12 262	22 417	72.36	25 632	26 193
Administrative	2 437	2 433	3 115	4 124	24.82	4 216	5 011
Stores and livestock	916	1 956	1 512	1 710	6.63	1 948	2 198
Equipment	397	1 086	625	3 015	354.81	2 308	2 555
Land and buildings							
Professional and special services	2 350	2 198	2 740	9 143	214.60	10 010	10 232
Transfer payments	17 105	36 076	126 422	40 311	(69.94)	17 524	18 553
Miscellaneous	94		7	4	(46.12)	4	4
Total	30 369	52 233	146 683	80 724	(48.11)	61 642	64 746
Economic classification							
Current	30 200	36 371	41 422	56 932	29.58	59 838	62 779
Personnel	7 111	8 484	12 262	22 417	72.36	25 632	26 193
Transfer	17 143	21 076	21 422	18 311	(19.41)	17 678	18 730
Other current	5 946	6 811	7 738	16 204	97.43	16 528	17 856
Capital	169	15 862	105 261	23 792	(78.69)	1 804	1 967
Acquisition of capital assets	169	862	261	1 792	547.33	1 804	1 967
Transfer		15 000	105 000	22 000	(80.25)		
Total	30 369	52 233	146 683	80 724	(48.11)	61 642	64 746
Difference		21 864	94 450	(65 659)		(19 082)	3 104
Nominal Growth %		71.99	180.82	(44.97)		(23.64)	5.04
Real Growth %		61.34	153.20	(48.11)		(27.66)	(0.11)
Average annual nominal growth % (2000/01 – 2003/04)				38.52			
Average annual nominal growth % (2003/04 – 2005/06)							(10.44)
Average annual real growth % (2000/01 – 2003/04)				28.45			
Average annual real growth % (2003/04 – 2005/06)							(14.79)

Note: Contributions to the erection of the Cape Town Convention Centre, which amounts to R142 million (R15 million in 2001/02, R105 million in 2002/03 and R22 million in 2003/04) are reflected under programme 3: Tourism: Standard item: Transfer payments and Economic classification: Capital transfer.

From Table 1 above it can be deduced that the department of Economic development and tourism's spending increased in real terms by 153.20% or approximately

R94,450 million between 2001/02 and 2002/03 and then decreases by 48.11% or R65,659 million comparing 2002/03 actual to 2003/04 budget. The unprecedented growth for the 2002/03 periods is due to the transfer payments made towards Conenco for the building of the Cape Town International Convention centre, which is discussed in more detail below.

Assessment per programme (80/20 principle)

The allocation to Programme 1: Administration budget has increased by 172.06% in real terms from 2002/03 to 2003/04 as new staff has been appointed to facilitate the establishment of a corporate service component as this is a new department that was formally established 1 August 2002.

The allocation to Programme 2: Enterprise development has increased by 52.07%, as the shift of the department is more towards promoting small businesses. Programme 3: Tourism reflects a decrease, but this is due to the previous financial year's payment of R105 million and this financial year's (2003/04) final payment of R22 million to Conenco.

The allocation to Programme 4, Knowledge economy has increased by 44.78%, as the department wants to increase the public's knowledge with regards to the benefits of the internet for socio-economic development.

The departmental strategic plan mainly focuses on the promotion of tourism, tourism safety and security.

Changes to budget

The adjusted budget for the department for 2003/04 will total R125,924 million from an original allocation of R80,724 million. The difference being the allocation of R45,2 million for *iKapa elihlumayo*.

The shifting of part of the *iKapa elihlumayo* provision from Vote 3: Provincial Treasury to this Vote introduces a great deal more capacity, manoeuvrability and muscle for economic development.

The Premier announced that with effect from 25 June 2003 a new Minister of Tourism and Gambling will be appointed. This new portfolio will resort under this department. The funds for the office of the new Minister must still be shifted from Vote 9: Environmental Affairs and Development Planning.

Non-financial vs financial information

With regards to programme 3: Tourism, the implementation of many different tourism programmes provides initiatives to improve visitor safety and security in the Province and thus lower the perception of criminality. A tourism safety conference is to be held in Cape Town on 15-16 October 2003 to discuss the above-mentioned. Further initiatives

are a tourism help desk programme, practical support to tourism entrepreneurs, a management system for tour guides and the creation of a provincial tourism development fund to support participation in tourism by marginalised communities.

The department's Integrated Tourism Development Framework (ITDF) is the way forward for government and private sector investment over the next 10 years that mainly focus on a (a) tourism development strategy, (b) review of markets, product offering, patterns and flows and (c) identified nodes and corridors for tourism development utilising GIS mapping.

One of the department's priorities for 2003 is the Road Signage Framework, which mainly focuses on providing the right information in the right format through consistent, user-friendly and right coverage of road signs for the province's visitors and road users.

The department is also leading and co-ordinating the Provincial Economic Affairs cluster of the Provincial Government.

Relationship with other programmes

A close relationship exist with the department of Agriculture regarding the promotion of small farm activities, the department of Social Services and Poverty Alleviation regarding poverty alleviation, as well as Transport and Public Works regarding certain community based public works projects.

Specific and exclusive expenditure (Earmarked allocations)

The department received earmarked allocations for the following:

Liquor abuse awareness and education programme	R0,500 million
Cape Online projects	R1,000 million

The final payment to the Cape Town International Convention Centre of R22 million has been made in April 2003.

Local government linkage

The City of Cape Town is a major partner of the department in the development and promotion of economic growth in the province. A joint marketing strategy has been developed, joint institutions are being established to deliver on the strategy and the department will be moving to share premises with the Economic Development and Tourism component in the City, the Cape Town office of the national departments of Trade and Industry, Science and Technology and other partners. The City and the Province funded the Convention Centre jointly. Many other joint projects exist example, the facilitation of a film studio for Cape Town and the oil and gas industry in the port of Cape Town. Agreement with the City of Cape Town for Small Business week is valued at R100,000.

The South Cape export centre has been set up in conjunction with the municipalities of George, Riversdale, Plettenberg Bay, Oudtshoorn and Mossel Bay. The financial contribution of the municipalities collectively amounts to R95,000, while the department will contribute R230,000 towards the cost of the Export Centre in the 2004/05 financial year.

Spending behaviour/patterns

The department realised an underspending of R5,588 million or 4.77 % of the 2002/03 adjustments budget.

Recommendations

The department should furnish details on the latest developments and roles of the “economic” public entities, such as Provincial Development Council, Casidra, Tourism Board etc.

The department is leading and co-ordinating the Provincial Economic Affairs cluster of the Provincial Government. The Department must have clear objectives on what it wants to achieve through this cluster regarding the co-ordination of the budgets of the relevant votes, given the importance of the *iKapa elihlumayo* concept.

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CULTURAL AFFAIRS AND SPORT

Introduction

The department of Cultural Affairs and Sport came into existence on 1 August 2002. This was done in order to render a more effective service and to align the departmental structure of the Province with Ministerial portfolios. Its vision is a dynamic sport and culture team delivering quality services to the people of the Western Cape. Its mission is to promote and transform sport and culture for the benefit, well-being and unification of the people they serve.

A budget of R137,401 million was allocated to the department for the 2003/04 financial year. Within this envelope the department must give effect to its vision and mission. This constitutes 0.84% of the 2003/04 provincial budget. Over the MTEF period the relative budget share decreases slightly to 0.82% and 0.80% for 2004/05 and 2005/06 respectively.

Resultant from the departmentalisation initiative that took place the department has undergone internal organisational and programme restructuring and refocusing to improve its cohesion, direction and service delivery.

Funding

For the 2003/04 financial year the funding for the vote comprises of 98.62% from the equitable share and 1.38% from own generated revenue.

Expenditure and budget trends

The trend comparison in Table 1 shows the expenditure performance of the department over the past 3 financial years, the budget for the current financial year (2003/04) and the subsequent MTEF years.

Table 1: Department's expenditure from 2000/01 to 2002/03 and budgeted allocation from 2003/04 to 2005/06 financial years are reflected (nominal Rand Value)

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
1. Administration	675	2 046	2 958	20 366	549.13	20 509	22 108
2. Cultural affairs	69 928	75 198	86 953	93 190	1.04	98 250	102 461
3. Community and senior sport and recreation promotion and development	12 470	12 615	15 522	11 360	(31.00)	11 937	12 405
4. School sport			3 039	12 485	287.33	13 121	13 795
Total	83 073	89 859	108 472	137 401	19.43	143 817	150 769

Programmes	Actual 2000/01 R'000	Actual 2001/02 R'000	Actual 2002/03 R'000	Budget 2003/04 R'000	% Variance (Real)	MTEF 2004/05 R'000	MTEF 2005/06 R'000
Standard item							
Personnel	28 357	32 550	37 026	59 003	50.24	65 690	69 113
Administrative	3 401	4 140	5 414	7 164	24.76	7 576	7 884
Stores and livestock	19 377	26 304	30 002	31 972	0.47	34 228	35 326
Equipment	1 706	2 724	1 981	5 296	152.05	3 790	4 206
Land and buildings							
Professional and special services	2 747	4 293	5 538	8 407	43.12	7 550	7 982
Transfer payments	27 263	19 848	28 511	25 559	(15.48)	24 983	26 258
Miscellaneous	222						
Total	83 073	89 859	108 472	137 401	19.43	143 817	150 769
Economic classification							
Current	73 518	82 579	102 287	125 338	15.53	134 291	140 133
Personnel	28 357	32 550	37 026	59 003	50.24	65 690	69 113
Transfer	18 844	14 693	23 393	17 528	(29.36)	17 939	18 430
Other current	26 317	35 336	41 868	48 807	9.91	50 662	52 590
Capital	9 555	7 280	6 185	12 063	83.88	9 526	10 636
Acquisition of capital assets	1 136	2 125	1 067	4 032	256.27	2 482	2 808
Transfer	8 419	5 155	5 118	8 031	47.94	7 044	7 828
Total	83 073	89 859	108 472	137 401	19.43	143 817	150 769
Difference		6 786	18 613	28 929		6 416	6 952
Nominal Growth %		8.17	20.71	26.67		4.67	4.83
Real Growth %		1.47	8.84	19.43		(0.84)	(0.30)
Average annual nominal growth % (2000/01 – 2003/04)				18.26			
Average annual nominal growth % (2003/04 – 2005/06)							4.75
Average annual real growth % (2000/01 – 2003/04)				9.67			
Average annual real growth % (2003/04 – 2005/06)							(0.33)

Table 1 shows that the department's expenditure grew from R89,859 million in 2000/01 to R108,472 million in 2002/03, a real growth of 8.84% between 2001/02 and 2002/03 and then increases by 19.43% in real terms or R28,929 million comparing 2002/03 actual to 2003/04 budget. The increase in real growth is because provision were made for a proper financing administration programme as it is a newly established department (since 1 August 2002) and adequate provision was made for a new programme: School sport.

A new programme: School sport was created and introduced in 2002/03. Adjustment Budget with an expenditure of R3,035 million in that year. This programme sees a sharp increase to R12,485 million or 287.33% in real terms in 2003/04, whereafter it remains constant in real terms.

As a result of this departmentalisation exercise and the creation of this department, it was also required to create a proper co-operate structure for the department. The aforementioned as well as creation of a new programme School sport related to the sharp increase of 50.24% in real terms on Personnel expenditure from 2002/03 to 2003/04.

Public entities

Western Cape Language Committee

The Western Cape Language Committee has to ensure that the three official languages of the Province enjoy equal status and that previously marginalised indigenous languages of the Western Cape are actively promoted. Transfer payments to the amount of R0,301 million were made to the Committee in 2002/03.

All the goals of objectives of the Language unit and Language committee are aimed at creating an enabling environment through which all clients are able to communicate in the official language of their choice. The cost over the next five years of the recommended options for implementing the Language Policy in the three pilot departments are summarised in the table below.

Table 2: Costs of recommended options of Language Policy implementation

Summary of phasing in over 5 years- costs in R'000					
Department	2003/04	2004/05	2005/06	2006/07	2007/08
Cultural affairs and sport	8 646	5 728	6 179	6 690	7 238
Health	12 036	23 967	34 684	46 831	59 928
Community safety	1 090	1 211	1 461	1 717	1 996

Western Cape Cultural Commission

The Western Cape Cultural Commission was established to provide assistance to arts and culture organisations to preserve, promote and develop culture in the Western Cape. Transfer payments to the amount of R7,1 million were made to the Commission during 2002/03.

Changes to budget

There have, as yet been no virements, roll overs, shifts or additional allocations, which could affect the department's budget. However, the department is in the process of taking over the archive function from the National department. The intention was for the process/function shift to be concluded by the tabling of the adjustment budget. Discussions with the department have indicated that, although the processes are still ongoing indications are that this will only take effect from 1 April 2004.

The national archivist also indicated verbally to the department that it would be better for the archive function to be shifted from 1 April 2004. As a follow-up, the department communicated in writing to the national archivist in which they referred to the conversation and asked for an indication when it will be feasible for the function to be taken over. The principle of function shifts that funds follow function must be strictly applied.

The establishment of a provincial heritage resource management system as part of an integrated and interactive system for managing heritage resources in South Africa at national, provincial and local level is essential. The department has a budget of R692 000 for the establishment of the Heritage resource centre. The principle of funds follow function should also apply here.

Non-financial vs financial information

The purchasing, distribution and promotion of library material and library usage at public libraries throughout the Western Cape are directly linked to *iKapa elihlumayo*. The 2003/04 budget in terms of its main objectives of the library service is divided into two objectives. The majority of the current funding, R28,236 million is allocated to provide relevant library materials to the inhabitants of the Western Cape through public libraries. An amount of R4,889 million is allocated for the construction of new or upgrading library facilities in areas where such facilities exist.

The administration and management of libraries is one of the functions, which in terms of the constitution (schedules 4 and 5) is a concurrent and exclusive functional area of national and provincial competence, but has historically been performed and is currently still being performed by municipalities with financial assistance from the Province.

To ensure the continued delivery of the service by municipalities, the Department of Cultural Affairs and Sport has compiled and finalised a “metro” – as well as a “rural” agreement for library services. The City of Cape Town initially signed the metro agreement, but has since withdrawn from this prior to the approval by the Minister of Cultural Affairs and Sport. Few municipalities signed the “rural” agreements, which are now being assessed, but the majority of agreements are still being awaited. It would appear that metro has withdrawn and in fact taken back this signed agreement. Municipalities are weary of cutting into any kind of agreement for the time being with possible adverse effects on the services to be rendered.

Cultural Services continued the management of the seven cultural facilities under the supervision of the Western Cape Cultural Commission. For the 2002/03 financial year, 325 groups used the cultural facilities situated at Koekenaap, Melkbosstrand, Groot Drakenstein, Bien Donne and Stellenbosch.

During the reporting period, 443 applications to the Western Cape Cultural Commission for funding were processed. More than 250 000 people benefited from the services and funding made available for the conservation, promotion and development of culture.

The department was part of the Cape Town 350 commemoration celebrations. An amount of R2 million was made available for the year-long programme. Of this amount, R0,75 million went towards programmes outside the City of Cape Town.

Financial support of R7,2 million was made available to the performing arts through the Western Cape Cultural commission as transfer payments. Beneficiaries included the Jazzart Dance Company, the Baxter theatre, the Cape Town City Ballet Company.

The sub-programme Museum services provides financial, managerial and professional support services to 28 affiliated museum in the Western Cape.

The majority of the funding provided for Museum services (R12,228 million) are used for the establishment and development of social responsible museums in local communities.

Relationship with other programmes/departments

The department is liaising with the national Department of Arts, Culture, Science and Technology for the shifting of the archive function. In conjunction with this the department also liaises with the provincial Department of Transport and Public Works concerning the taking over of the two buildings that house the archive function.

The department also liaised with the South Africa Heritage Resource Association (SAHRA) for the establishment of a Provincial Heritage Resource Centre. The Western Cape Provincial Heritage resource authority has been established in terms of section 23 of the Act.

Earmarked allocations

The department received an additional amount of R5,837million earmarked for the purchases of library books in the 2003/04 financial year. This amount was added to the amount that the department budgeted for library books in the 2003/04 year.

An amount of R365,000 was allocated for the day-to-day maintenance of the department.

Spending behaviour/pattterns

Because of departmentalisation, figures for under spending in the 2001/02 financial year are not available. The under spending for the 2002/03 financial year is for eight (8) months only and was 0.31% of the adjustments budget.

Pressures

The Western Cape Cabinet approved the Language Policy in principle in November 2001, pending the results of the language audit and costing of implementing the policy.

At the Provincial Top Management meeting held on 28 May 2003 during which the cost implications of implementing the Western Cape Language Policy were presented, it became clear that departments would have to engage in further discussions. It was decided that the implementation of the policy should be discussed further at cluster meetings.

The transformation and standardisation of geographical place names in South Africa is to be addressed in terms of national legislation. Such legislation will impact on the available resources to the department in future years.

The full implementation of activities related to sport health will be dependent on the allocation of additional funds to the department.

Conclusion

The department is a new department that only came into existence eleven months ago (1 August 2002).

Over time the department has made a strong case for further investment in sport. This should be a key consideration in allocating resources.

The demand for literacy material is never-ending. Apart from the limited provision for such material, the funding is partially consumed by inflation and foreign exchange rate fluctuations.

Recommendation

The department should finalise discussions with the national Department of Arts, Culture, Science and Technology for the shifting of the archive function. In conjunction with this, the department should also finalise discussions with the provincial Department of Transport and Public Works concerning the taking over of the two buildings that house the archive function.

The department should also finalise discussions with the South Africa Heritage Resource Association (SAHRA) for the establishment of a Provincial Heritage Resource Centre.

The principle of function shifts that funds follow function must be strictly applied.

All efforts must be made to ensure that the agreements with municipalities for the future delivery of library services be finalised on time.

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