



treasury

Department of
Treasury
FREE STATE PROVINCE

2011/12 MID-YEAR EXPENDITURE ESTIMATES

After the first two quarters of the 2011/12 financial year the Free State Provincial Government anticipates spending R25.760 billion or 111.1% against the appropriated allocation of R23.188 billion. Actual expenditure of R11.5 billion until the end of September 2011 represents 49.8% of the Provincial budget. On the basis of the difference between the Provincial allocation of R23.288 billion and estimated expenditure of R25.760 billion, the Province projects an over-expenditure of R2.572 billion compared to R562.8 million deficit projected in September 2010. The net expected over expenditure of R2.572 billion is made up of projected overspending by all departments except for DETEA and COGTA at the end of the financial year.

The expectation is that departments would have spent about 50% of their allocations after two quarters of the financial year. Three departments have already exceeded this guideline namely PRT at 56.0%, HS at 74.8%. The percentage spent by other departments varies between 42.3% (PT) and 49.6% (PWRD) of each department's budget.

The budgets of the three social services departments (Education, Health and Social Development) constitute 73.8% of the provincial budget.

- The social services departments spent R8.3 billion, which is 48.5% of their allocated budget of R17.5 billion.
- Their aggregate spending accounts for 71.8% of the total provincial expenditure of R11.5 billion.
- Education, Health and Social Development projects to overspend the budget by the end of the financial year.

The other departments spent R3.2 billion or 53.6% of the allocated budgets amounting to R6.069 billion, which accounts for 28.2% of the total provincial expenditure.

Table 2.1: Consolidated provincial expenditure by department, 2011/12

Dept (1)	Budget	Spent		Proj		Total		Deviation	
	R'000 (2)	R'000 (3)	% (4)	R'000 (5)	% (6)	R'000 (7)	% (8)	R'000 (9)	% (10)
Education	9,496,341	4,701,313	49.5%	5,276,832	55.6%	9,978,145	105.1%	-481,804	-5.1%
Health	6,820,708	3,219,779	47.2%	3,724,437	54.6%	6,944,216	101.8%	-123,508	-1.8%
Social dev	801,787	379,247	47.3%	434,251	54.2%	813,498	101.5%	-11,711	-1.5%
Premier	220,756	97,667	44.2%	167,949	76.1%	265,616	120.3%	-44,860	-20.3%
Legislature	203,406	100,076	49.2%	113,330	55.7%	213,406	104.9%	-10,000	-4.9%
DETEA	390,303	181,699	46.6%	208,604	53.4%	390,303	100.0%	0	0.0%
Treasury	201,033	84,945	42.3%	116,177	57.8%	201,122	100.0%	-89	0.0%
CoGTA	375,641	170,576	45.4%	205,065	54.6%	375,641	100.0%	0	0.0%
PWRD	1,226,210	607,895	49.6%	792,965	64.7%	1,400,860	114.2%	-174,650	-14.2%
PRT	1,465,457	821,304	56.0%	1,731,634	118.2%	2,552,938	174.2%	-1,087,481	-74.2%
Agric	519,341	245,802	47.3%	291,539	56.1%	537,341	103.5%	-18,000	-3.5%
SACR	479,300	203,992	42.6%	286,808	59.8%	490,800	102.4%	-11,500	-2.4%
Human Set	987,790	738,956	74.8%	857,615	86.8%	1,596,571	161.6%	-608,781	-61.6%
TOTAL	23,188,073	11,553,251	49.8%	14,207,206	61.3%	25,760,457	111.1%	-2,572,384	-11.1%

EXPENDITURE BY DEPARTMENT**Education**

The budget of Education amounts to R9.4 billion of which R4.7 billion or 49.5% was spent during the first two quarters of the financial year. The department projects to overspend their allocation by R481.8 million or 5.1% due to the spending of Education Infrastructure on previous year commitments, implementation of the 6.8% salary adjustments and spending on approved roll overs that will be captured when the adjustment budget is tabled.

Health

The department has spent R3.2 billion or 47.2% against the budget of R6.8 billion at the end of September 2011 and projects to over spend by R123.5 million or 1.8% at the end of the financial year. The overspending is due to the Ladybrand Hospital project of which the contractors have reduced the contract term from December 2012 to June 2012 in order to fast track the project, the Mangaung Hospital Project that was under budgeted for as well as the higher than anticipated salary adjustment increase.

Social Development

This department has spent R379.2 million or 47.3% of the budget amounting to R801.7 million during the first two quarters until September 2011. The department projects to overspend their budget by R11.7 million or 1.5% at the end of March 2012 due to the compensation of Masupatsela Youth Pioneers absorbed in the department.

Premier

An amount of R97.6 million or 44.2% was spent during the first two quarters of the financial year against the budget of R220.7 million. The department projects an over expenditure of R44.8 million or 20.3% at the end of the financial year due to expenses regarding the approved Turnaround Strategy for communication in order to improve the provincial communication machinery as well as office rental for Free State Training and Development Institution staff.

Legislature

Provincial Legislature has spent R100.1 million or 49.2% of the allocation of R203.4 million until September 2011. The department projects an over spending of R10.0 million or 4.9% at the end of the financial year due to exceeding costs of the Legislative Complex.

Economic Development, Tourism and Environmental Affairs

Expenditure is reported at R181.6 million or 46.6% of the departmental budget. The department projects to break even by the end of the financial year with the budget allocation of R390.3 million.

Treasury

An amount of R84.9 million or 42.3% has been spent against the budget of R201.0 million. The department projects to break even with a slightly over expenditure of R89.000 (thousand) at the end of the financial year.

Cooperative Governance and Traditional Affairs

Expenditure by this department is R170.5 million or 45.4% of the departmental budget amounting to R375.6 million. The projections suggest a break even situation at the end of the financial year.

Public Works and Rural Development

The department has spent R607.8 million or 49.6% of the budget of R1.2 billion during first two quarters of the 2011/12 financial year. The department projects an over expenditure of R174.6 million or 14.2%. The projected over expenditure is mainly due to infrastructure expenditure related to the previous financial year as well as insufficient allocation received through the Devolution of Property Rates grant.

Police, Roads and Transport

The department has spent R821.3 million or 56.0% of the allocation of R1.4 billion and projects to overspend the budget by R1.0 billion or 74.2% at the end of the financial year as a result of the introduction of 24/7 shifts for the traffic law enforcement officers which will have a huge impact on compensation of employees. It is also indicated by the department that there is no funding for legal claims, audit fees, outsourcing of internal audit, consultancy services, the Arrive Alive Campaign and outstanding payment of contractors of 23 roads.

Agriculture

Agriculture has spent R245.8 million or 47.3% of the budget amounting to R519.3 million at the end of September 2011. The department projects to overspend their allocation by R18.0 million or 3.5% at the end of the financial year due to the higher than anticipated salary adjustment, transport and other expenses.

Sport, Arts, Culture and Recreation

An amount of R203.9 million or 42.6% has been spent against the allocation of R479.3 million for the 2011/12 financial year. The department projects to overspend by R11.5 million or 2.4% by the end of March 2012 due to the upgrading of administration posts and the payment of a severance package to the former HOD.

Human Settlement

An amount of R738.9 million or 74.8% has been spent against the departmental allocation of R987.7 million for the 2011/12 financial year. The department projects to overspend by R608.7 million or 61.6% by the end of the financial year due to contractual commitments which were entered into prior to the reduction in funding on the Human Settlement Development Grant.

EXPENDITURE BY ECONOMIC CLASSIFICATION

Expenditure after two quarters is on par with regard to compensation of employees with recorded spending of R6.861 billion or 49.2% against the budget. Provincial departments project to overspend on this allocation by about R344.5 million or 2.5% due to the higher than expected salary increase.

Departments performed well in respect of transfers and subsidies. Public entities already received 58.6% of the expected funds to be transferred by the respective provincial departments and 60.3% of the allocation towards municipalities have been transferred by the end of the second quarter of the 2011/12 financial year. The projected over expenditure amounts to R1.030 billion towards the end of the financial year.

Payments for capital assets are at 41.4% due to all departments reporting slow spending towards infrastructure projects. Departments and more specifically PRT however still project to overspend by about R871 million against this allocation due to the 23 turnkey roads projects.

Table 2.2: Consolidated provincial expenditure by economic classification, 2011/12

<i>Economic Classification</i>	2011/12		Expenditure				Over/under exp		
	<i>Budget</i>	<i>Actual to end Mar 11</i>	<i>Proj from to Mar 2011</i>		<i>Total</i>		<i>R'm</i>	<i>As % of budget</i>	
<i>R'000</i>									
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Current payments	17,763,296	8,645,881	48.7%	9,533,876	53.7%	18,179,757	102.3%	-416,461	-2.3%
Compensation of employees	13,955,635	6,861,348	49.2%	7,438,850	53.3%	14,300,198	102.5%	-344,563	-2.5%
Goods & services	3,803,245	1,783,816	46.9%	2,091,584	55.0%	3,875,400	101.9%	-72,155	-1.9%
Interest & rent on land	4,416	717	16.2%	3,442	77.9%	4,159	94.2%	257	5.8%
Total transfers and subsidies	3,143,542	1,956,124	62.2%	2,218,357	70.6%	4,174,481	132.8%	-1,030,939	-32.8%
Provinces & municipalities	302,830	182,723	60.3%	278,803	92.1%	461,526	152.4%	-158,696	-52.4%
Departmental agencies & accounts	91,319	101,197	110.8%	34,492	37.8%	135,689	148.6%	-44,370	-48.6%
Universities & technikons	1,300	0	0.0%	1,334	102.6%	1,334	102.6%	-34	-2.6%
Public corp & private enterprises	222,850	104,079	46.7%	119,880	53.8%	223,959	100.5%	-1,109	-0.5%
Non-profit institutions	1,406,188	755,583	53.7%	705,804	50.2%	1,461,387	103.9%	-55,199	-3.9%
Households	1,119,055	812,542	72.6%	1,078,044	96.3%	1,890,586	168.9%	-771,531	-68.9%
Payments for capital assets	2,281,235	944,600	41.4%	2,454,962	107.6%	3,399,562	149.0%	-1,118,327	-49.0%
Buildings & other fixed structures	1,982,018	859,108	43.3%	2,231,378	112.6%	3,090,486	155.9%	-1,108,468	-55.9%
Machinery & equipment	291,093	74,009	25.4%	202,764	69.7%	276,773	95.1%	14,320	4.9%
Heritage assets	0	61	0.0%	94	0.0%	155	0.0%	-155	0.0%
Biological assets	0	8,162	0.0%	14,500	0.0%	22,662	0.0%	-22,662	0.0%
Land & sub-soil assets	500	611	122.2%	20	4.0%	631	126.2%	-131	-26.2%
Software & other intangible assets	7,624	2,649	34.7%	6,206	81.4%	8,855	116.1%	-1,231	-16.1%
Payments for financial assets	0	6,646	0.0%	11	0.0%	6,657	0.0%	-6,657	0.0%
TOTAL	23,188,073	11,553,251	49.8%	14,207,206	61.3%	25,760,457	111.1%	-2,572,384	-11.1%