

Table 1: Net Financial Position - 2015/16		
R thousand	2015/16	Explanation
1. 2014/15 Adjusted Budget - Audited	97 807 700	Lines 1 – 8 deal with the 2014/15 under-expenditure, revenue over-collection and the 2014/15 Contingency Reserve as I had discussed above. This results in the R941.125 million (shown in Line 9) being
2. 2014/15 Audited Actual Expenditure	97 363 813	
3. 2014/15 Audited year-end under-expenditure	443 887	
4. 2014/15 Own Revenue Budget - audited	2 783 644	
5. 2014/15 Audited Own Revenue collection	3 148 948	
6. 2014/15 Audited year-end over-collection	365 304	
7. 2014/15 Contingency Reserve	274 871	
8. Less: Revenue already allocated back in the 14/15 Adjustments Estimate	(142 937)	
9. 2014/15 Surplus	941 125	

C.1. Unspent conditional grants from 2014/15

A portion of this surplus relates to unspent conditional grant funding and therefore needs to be removed from the calculation, as **unspent conditional grant funding has to be returned to the national fiscus, unless approved for roll-over, according to the Division of Revenue Act.**

Table 1: Net Financial Position - 2015/16: Unspent conditional grants from 2014/15		
R thousand	2015/16	Explanation
9.2014/15 Surplus	941 125	
10.Less:Unspent conditional grants approved for roll-over	19 655	Line 10 indicates the amounts that remain unspent in the Provincial Revenue Fund, but are being rolled-over for spending in 2015/16 with
EPWP Integrated Grant for Provinces under DEDTEA	2 572	

Table 1: Net Financial Position - 2015/16: Unspent conditional grants from 2014/15

R thousand	2015/16	Explanation
National Health Insurance grant	1 449	
Community Library Services grant	14 199	
Mass Participation and Sport Development grant	1 435	
<p>11. Less: Unspent conditional grant funding to be returned to National Treasury.</p> <p>This is a mere 0.03 per cent of the 2014/15 conditional grant budget</p>	4 499	<ul style="list-style-type: none"> • Community Library Services grant where R127 000 was not approved to be rolled-over; • Comprehensive HIV and AIDS grant where R122 000 was not approved to be rolled-over; • Further Education and Training grant where R516 000 was not approved to be rolled-over; • EPWP Integrated Grant for Provinces in Vote 4: Economic Development, Tourism and Environmental Affairs where R1.135 million was not approved for roll-over; • EPWP Integrated Grant for Provinces in Vote 15: Arts and Culture where R2.102 million was not approved for roll-over; • Mass Participation and Sport Development grant where R495 000 was not approved for roll-over
<p>12. 2014/15 funding available after taking into account conditional grant roll-overs and surrenders</p>	916 971	<p>Line 12 then indicates the funding available for allocation after taking into account the conditional grant roll-overs and surrenders, with this being R916.971 million.</p>

C.2. Provincial commitments since tabling of the 2015/16 MTEF budget

There are a number of provincial commitments that have arisen since the 2015/16 MTEF main budget was tabled in the Legislature, which require funding.

Table 1: Net Financial Position - 2015/16: Provincial Commitments since the tabling of the 2015/16 MTEF budget		
R thousand	2015/16	Explanation
12.2014/15 funding available after taking into account conditional grant roll-overs and surrenders	916 971	
13. Less: Provincial Commitments	863 507	These commitments amount to R863.507 million as indicated in Line 13 . Some of these amounts will only be allocated to departments during the 2016/17 MTEF, as this is when they will be in a position to spend these funds. Where allocations will only be made in 2016/17, this is indicated as such below (these amounts will be formalised when the 2016/17 MTEF budget is tabled in this House in March 2016)
Ezemvelo KZN Wildlife – Rhino anti-poaching	27 720	Economic Development, Tourism and Environmental Affairs receives R27.720 million over three years (i.e. R9.240 million in 2016/17, R9.240 million in 2017/18 and R9.240 million in 2018/19) for transfer to Ezemvelo KZN Wildlife for its rhino anti-poaching efforts. These funds will be specifically and exclusively appropriated to ensure that EKZNW does not use these funds for any other purpose
Provincial Legislature – Repair fire-damaged Law Society building	1 500	Provincial Legislature receives R1.500 million in 2015/16 to repair the Law Society building that was damaged by fire in October 2014. The building therefore needs to be repaired, and the network cables and office furniture need to be replaced
Provincial Legislature – Zero-based budget adjustment	95 522	Provincial Legislature receives R95.522 million over three years (i.e. R30.536 million, R32.063 million and R32.923 million in 2016/17, 2017/18 and 2018/19, respectively for the Zero-based budget adjustment). In terms of the Financial Management of Parliament Act,

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R thousand	2015/16	Explanation
		<p>which is applicable from 1 April 2015, the Legislature is no longer required to submit additional funding requests to Provincial Treasury via the MTEC process as is done by provincial departments and public entities. Instead, the KZN Legislature's additional funding requirements should be determined following a meeting between the Speaker and the MEC for Finance. This meeting took place on 13 October 2015. In view of this, and in line with Resolution 4/2015 taken by the Standing Committee on Oversight (STACOV), the KZN Legislature prepared a zero-based budget exercise to highlight additional funding requirements. In addition to the zero-based budget adjustment, the Legislature has an over-provision of R8 million against their Statutory allocation and this will be diverted towards the operational funding requirement. As such, the net amount of R30.536 million, R32.063 million and R32.923 million in 2016/17, 2017/18 and 2018/19 respectively is added to the Legislature's baseline</p>
Provincial Legislature – Assist with long service recognition policy	346	<p>Provincial Legislature receives a once-off amount of R346 000 in 2015/16 to assist them with the implementation of the long service recognition policy. A long service recognition policy was implemented in the public service in July 2012, and the Legislature has now drafted a similar policy</p>
Provincial Legislature – Commonwealth Parliamentary Association Conference and procurement of a lift	5 500	<p>Provincial Legislature receives a once-off amount of R5.500 million for allocation in 2016/17. This relates to the province hosting the Commonwealth Parliamentary Association Conference in the province in 2016/17 which requires funding of R4 million, as well as the replacement of a lift in the Legislature building for an amount of R1.500 million</p>
Provincial Legislature – S22 revenue over-collection from 2014/15	2 247	<p>Provincial Legislature receives R2.247 million in 2015/16. In terms of Section 22 of the PFMA, as well as the Financial Management for Parliaments Amendment Act, Legislatures are permitted to retain any revenue over-collections from the prior year</p>

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Office of the Premier – Poverty Eradication Master Plan – Establishment of an operations centre	47 182	Office of the Premier receives R47.182 million over 4 years to provide funding for the establishment of an operations centre for the Poverty Eradication Master Plan. The funds are allocated for the duration of the contract posts created in the Office of the Premier with R10.270 million allocated in 2015/16, R11.775 million in 2016/17, R12.218 million in 2017/18 and R12.919 million in 2018/19
Health – Retention of over-collected patient fees	30 479	An agreement was reached with Health that the department may retain any over-collected health patient fees from the prior year for these funds to be used for its Revenue Enhancement Strategy. In this regard, the department over-collected by R30.479 million in 2014/15 and these funds are therefore allocated back to the department in 2015/16 for its revenue enhancement efforts
COGTA – Retention of funds paid into the Provincial Revenue Fund by Mtubatuba Municipality	7 300	Co-operative Governance and Traditional Affairs receives R7.300 million in 2015/16. These funds relate to Corridor Development funds not spent by the Mtubatuba Municipality and returned to the Provincial Revenue Fund in 2015/16. This amount is allocated back to the department for spending on catalytic projects relating to the Mtubatuba Urban Design Plan, but by using the department’s Project Management Unit to implement these projects.
Education – Indiza matter	111 000	An amount of R111 million is allocated to Education in 2015/16. This relates to the Indiza Learner Teacher Support Material (LTSM) litigation matter. A meeting was held with the department where they indicated that they would follow the necessary steps to attain a Court Order in this regard, and that the department is liable to pay R111 million which is the capital amount owed with respect to the LTSM material that was purchased in 2005. Provincial Treasury has directed that the department obtains a Court Order in this regard and to submit a copy thereof to Provincial Treasury prior to effecting payment

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Education – Sanitation backlogs	150 000	Education receives R150 million, but only for allocation in 2016/17 (R100 million) and 2017/18 (R50 million) for sanitation at schools. There is currently a backlog of 741 schools that do not have adequate toilet facilities and 500 schools that require water supply in the province
Provincial Treasury – Biometric scanners	12 000	Provincial Treasury receives R12 million in 2016/17 for purchasing biometric access scanners for all provincial departments. The province's BACS serves as an additional layer of security for the BAS accounting system and the PERSAL payroll system. The current scanners are more than 12 years old and have to be replaced to ensure that they are able to integrate with updated software
Provincial Treasury – Inkosi Albert Luthuli Central Hospital floor repairs	3 000	Provincial Treasury receives R3 million in 2016/17 for the Inkosi Albert Luthuli Central Hospital (IALCH) floor repairs. While R4 million was allocated for these floor repairs in 2014/15, R16 million in 2015/16 and R6 million in 2016/17, a further R3 million is required to finalise the floor repairs
Provincial Treasury – Legislature Complex feasibility study	5 500	Provincial Treasury receives R5.500 million in 2015/16 for the Legislature Complex feasibility study. Now that the Government Precinct feasibility study has been revived, so must the feasibility study for the Legislature Complex be revived. This feasibility study will be administered by Provincial Treasury
Health – Medico-legal claims	68 000	Health receives R68 million in 2015/16 to assist the department with the medico-legal claims incurred thus far in the 2015/16 financial year
Human Settlements – Funds returned by Ithala and National Housing Finance Corporation (NHFC) to be used for various housing projects	130 973	Human Settlements receives R130.973 million in 2015/16 for various housing projects. Of this amount, R12.532 million was returned to the department by Ithala, and R118.441 million was returned to the department by the NHFC. The department transferred funds to NHFC and Ithala in 2011/12 and 2012/13 to assess, administer and manage Social Housing and Individual Subsidy programmes on behalf of the department. As at the end of 2014/15, Ithala

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		and NHFC had not completed the projects for which funding had been transferred. The funds were, therefore, returned to the Provincial Revenue Fund and the department has asked that the funds be allocated back to them for various projects. The department is experiencing budget constraints as a result of budget cuts and spending pressures from the previous year, as well as the fact that most housing projects are far ahead of the planned development programme. The funds will be spent on the Westgate Grange project, Hilltops project, Hamptons project, Hampshire project, Avoca Hills project, as well as Lakehaven Phase 2. Funds will also be utilized for the FLISP programme
Community Safety and Liaison – Anti-xenophobia campaign	3 976	Community Safety and Liaison receives R3.976 million in 2015/16 for the anti-xenophobia campaign. This allocation provides for interventions, awareness campaigns and re-integration workshops to respond to the xenophobic attacks that occurred in the province
Community Safety and Liaison – Local government election monitoring	5 000	Community Safety and Liaison receives R5 million in 2016/17 for local government election monitoring. These funds will enhance the department’s oversight by deploying departmental officials as monitors who can assess any external factors (outside the voting station) that may hinder the peacefulness and fairness of the elections. The monitors have a responsibility to alert the SAPS should any trouble arise. The funds also provide for deploying lawyers inside the voting stations to offer legal advice to any member of the public guided by the Electoral Act
Co-operative Governance and Traditional Affairs – Anti-xenophobia campaign	2 697	COGTA receives R2.697 million in 2015/16 for its part in the anti-xenophobia campaign. These funds were spent on the <i>Imbizo</i> held on 20 April 2015
Co-operative Governance and Traditional Affairs – Funds returned by Nquthu Municipality to be used for rehabilitation of Community Service Centres (CSCs)	500	COGTA receives R500 000 in 2015/16 being funds returned to the Provincial Revenue Fund by Nqutu Municipality. These funds were initially transferred to Nqutu Municipality in 2008/09 to support its implementation of the Thusong Service Centre Programme. Unfortunately, the municipality failed to adhere to the provisions of the Memorandum of Agreement with the

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		department and these funds were, therefore, returned to the Provincial Revenue Fund. This amount is allocated back to the department for use in the implementation of the CSC rehabilitation programme through the department's Project Management Unit
Co-operative Governance and Traditional Affairs – Women in Leadership Conference sponsorship	1 115	COGTA receives R1.115 million in 2015/16 relating to sponsorships paid into the Provincial Revenue Fund. The department received this amount in 2015/16 from various companies and municipalities to sponsor the Women in Leadership Dialogue which was held in September 2015
Social Development – 6% increase in transfers to NGOs	139 712	Social Development receives R44.200 million in 2015/16, R46.410 million in 2016/17 and R49.102 million in 2017/18 to provide for a 6% increase in transfers to NGOs. While this 6% increase was announced in the 2015/16 Main Budget, it appears that the department did not provide for such an increase from within their baseline. The department had introduced new transfers in 2013/14 to NGOs without providing sufficient budget in their baseline to ensure the continued inflationary growth in transfers to their existing NGOs. While provision is made for this 6% increase from 2015/16 to 2017/18, the department will have to put processes in place to ensure that they are in a position to carry these increases through beyond 2017/18
Social Development – Inkululeko Development project	7 396	Social Development receives R7.396 million over a 3-year period, commencing in 2015/16 and ending in 2017/18. These funds provide for capital developments relating to the Inkululeko Development project with R3.873 million allocated in 2015/16, R2.523 million in 2016/17 and R1 million in 2017/18. These funds are for the development of an Elderly Day Care Centre
Public Works – Provincial Infrastructure Master Plan	4 842	Public Works receives R4.842 million in 2015/16 for the development of the Provincial Infrastructure Master Plan. While the development of this plan has already commenced, a more accurate estimate of the number of hours required to complete the plan is now known.

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R thousand	2015/16	Explanation
		The department provided documentation indicating the work required to complete this plan which will cost an additional R4.842 million

C.3. Provincial Roll-overs

Table 1: Net Financial Position - 2015/16: Provincial Roll-overs		
R thousand	2015/16	Explanation
14.Less: Provincial Roll-overs	85439	Line 14 indicates the provincial equitable share roll-overs that have been approved, with these amounting to R85.439 million
Provincial Legislature	7 563	Provincial Legislature , in terms of the Financial Management for Parliaments Amendment Act, is permitted to retain any unspent funds from the prior year. As such, R7.563 million is rolled-over for the Legislature
Agriculture and Rural Development	50 506	Agriculture and Rural Development receives R50.506 million relating to unspent funds from the prior year, for various capital projects, Land Reform support, production inputs, among others
Economic Development, Tourism and Environmental Affairs	12 000	Economic Development, Tourism and Environmental Affairs receives R12 million relating to unspent funds from the prior year. This amount relates to the World Routes Strategy 2015. The payment for the World Routes Strategy 2015 was not made in 2014/15 because the invoice was only received late in March and took several days for bank approval to be obtained (as the invoice was received in foreign currency)

Education	6 896	Education receives R6.896 million relating to the under-expenditure incurred against their infrastructure budget. This amount is rolled-over for the payment of invoices from Coega and IDT
Provincial Treasury	218	Provincial Treasury receives a roll-over of R218 000 for the Msunduzi electricity-related development project. This invoice was received too late to process in 2014/15 and was, therefore, paid in 2015/16
Social Development	2 328	Social Development receives a roll-over of R2.328 million relating to maintenance and refurbishment of infrastructure invoices which were only paid in the new financial year
Public Works	271	Public Works receives a roll-over of R271 000 relating to commitments for the Richmond Community Development programme
Arts and Culture	5 657	Arts and Culture receives a roll-over of R5.657 million relating to commitments for the Royalty Soapie Awards (R500 000), as well as repairs and renovations to the Pinetown and Dundee library depots (R5.157 million)
15. Funding available after providing for provincial commitments and roll-overs	(31 975)	After funding the provincial commitments and roll-overs, the funding available is overdrawn by R31.975 million
16. However , some of the commitments mentioned above were funded from funds paid into the Provincial Revenue Fund in this financial year, and this therefore needs to be added back	139 888	<ul style="list-style-type: none"> • R500 000 returned by Nqutu Municipality (COGTA); • R1.115 million from various sponsors for the Women in Leadership Conference (COGTA); • R7.300 million returned by Mtubatuba Municipality (COGTA); • R130.973 million returned by Ithala and NHFC (Human Settlements)

17. Funding available after taking into account revenue received in the Provincial Revenue Fund in 2015/16	107 913	Line 17 indicates that R107.913 million is available from the Net Financial Position once the amounts paid into the Provincial Revenue Fund for specific purposes have been taken into account
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C.4. Funds available from reconciliation of funds provided for authorization of unauthorized expenditure, NHLS and RTI Commission provision

Table 1: Net Financial Position - 2015/16: Recon of Unauthorised Expenditure provision, NHLS, RTI Commission provision		
R thousand	2015/16	Explanation
18. Funds held in Provincial Revenue Fund	1 980 996	Line 18 indicates that there is an amount held in the Provincial Revenue Fund amounting to R1.981 billion, which is available for allocation to provincial priorities. This amount is made up of R1.685 billion which has become available after an extensive reconciliation exercise was undertaken with regard to the provision made in the Provincial Revenue Fund for the authorisation of unauthorised expenditure, R270.500 million was kept in the Provincial Revenue Fund when the 2014/15 Net Financial Position was prepared, but ear-marked for allocation to Vote 7: Health for the NHLS liabilities and R25.050 million was kept in the Provincial Revenue Fund when the 2014/15 Net Financial Position was prepared, being a provision made for when the RTI Commission had finalised its work
19. Total amount allocated to various priorities	1 980 996	Line 19 indicates that this amount has been allocated for spending to various provincial priorities, as detailed below
Various departments - above-budget 2015 wage agreement	733 442	R733.442 million is allocated to departments for the above-budget 2015 wage agreement . National Treasury is providing some R877 million in this regard and departments had indicated that they would be able to absorb R138.201 million from within their baselines to fund part of the shortfall, and this amount of R733.442 million

Table 1: Net Financial Position - 2015/16: Recon of Unauthorised Expenditure provision, NHLS, RTI Commission provision

R thousand	2015/16	Explanation
		is, therefore, allocated to ensure that departments are fully compensated for the impact that the above-budget 2015 wage agreement will have in 2015/16
Provincial Treasury – Government precinct	600 000	R600 million is ear-marked for allocation towards the construction of the Government precinct . This amount is not allocated in 2015/16, but will be allocated once the revised feasibility study has been concluded. The accommodation requirements of the government departments in the CBD are acute, as a previous feasibility study undertaken in 2006/07 attests. In addition, some head offices for several departments were previously accommodated in Durban, Ulundi and Pietermaritzburg, which led to inefficiencies in the functioning of government
Human Settlements and COGTA – Housing and electrification projects	230 924	<ul style="list-style-type: none"> • R100 million is allocated to Human Settlements for construction of various housing units, as well as top-up funding in some instances to assist municipalities in the provision of bulk infrastructure in order for these projects to be unlocked. The projects that the funds will be allocated to are: <ul style="list-style-type: none"> – R10 million to KwaXolo Phase 2 in Umzumbe – R6 million to Dube Village in KwaDukuza – R10 million to Steve Biko Phase 2 in KwaDukuza – R4 million to Goedehoop Extension IRDP in eMadlangeni – R10 million to Vulindlela Enhanced People’s Housing Project in Msunduzi – R50 million to R293 and Ex-Own Affairs Townships Rectification in eThekwini – R10 million to Wirewall Rectification in Msunduzi

Table 1: Net Financial Position - 2015/16: Recon of Unauthorised Expenditure provision, NHLS, RTI Commission provision

R thousand	2015/16	Explanation
		<ul style="list-style-type: none"> • R130.924 million is allocated to COGTA for various electrification projects in the following municipalities: <ul style="list-style-type: none"> – R10 million in Umtshezi – R9.995 million to Indaka – R10.100 million to Okhahlamba – R11.030 million to Nquthu – R20 million to Umvoti – R9.955 million to uPhongolo – R13 million to Abaqulusi – R10 million to Umhlabuyalingana – R10 million to Jozini – R4 million to Mthonjaneni – R13.944 million to Ubuhlebezwe – R8.900 million to Umzimkulu
COGTA – Water provision for Umkhanyakude	33 000	<p>R33 million is allocated to COGTA in respect of water provision for the Umkhanyakude District Municipality for vehicle repairs, pump repairs, repairs to broken borehole shafts, borehole connections, relocation of bulk water, among others. These funds will be transferred to Umgeni Water as the implementing agent because of the skills, expertise and equipment the institution possesses</p>

Table 1: Net Financial Position - 2015/16: Recon of Unauthorised Expenditure provision, NHLS, RTI Commission provision

R thousand	2015/16	Explanation
COGTA – Payment of <i>Izinduna</i>	11 076	R11.076 million is allocated to COGTA to cater for the unbudgeted stipends (at R1 300 per month) paid to the additional 954 <i>Izinduna</i> that were previously not paid as they were not serving as Traditional Council (TC) members
COGTA – Voter education, demarcation roadshows, voter registration campaign	25 000	R25 million is allocated to COGTA for voter education, demarcation roadshows, voter registration campaign, the provision of infrastructure at voting stations, among others
Funds carried forward to assist with 2015 wage agreement carry-through costs	70 065	R70.065 million is left unallocated at this stage, but will be allocated in 2016/17 for the carry-through costs of the 2015 above-budget wage agreement . Indications are that the amount allocated by National Treasury in 2016/17 will be insufficient to cover the full carry-through costs of the 2015 wage agreement, and this allocation, therefore, provides some funding to departments for this shortfall. The carry-through of the above budget wage agreement has been calculated at R1.871 billion in 2016/17
Health – National Health Laboratory Services (NHLS)	270 500	R270.500 million is allocated to Health with respect to the amount owed to NHLS in view of the department now paying the fee-for-service rate, which is higher than the previous flat-fee rate
Transport – RTI Commission	6 989	R6.989 million is allocated to Transport with regard to the outcomes of the RTI Commission. Now that this matter has reached finality, and detailed costing has been submitted in terms of the legal costs incurred, as well as the amounts being paid to the affected families, R6.989 million is allocated to the department in this regard. Of this amount, R1.949 million relates to legal costs incurred by the department, while the balance relates to payments made to the victims and/ or to their families

Table 1: Net Financial Position - 2015/16: Recon of Unauthorised Expenditure provision, NHLS, RTI Commission provision		
R thousand	2015/16	Explanation
20. Funding available after providing for funds held in the Provincial Revenue Fund	107 913	Line 20 indicates that the Net Financial Position remains positive at R107.913 million after the allocation of the R1.981 billion

C.5. Contingency Reserve

Table 1: Net Financial Position - 2015/16: Contingency Reserve		
R thousand	2015/16	Explanation
21. Add: 2015/16 Contingency Reserve	750 000	Line 21 reminds us that KZN has budgeted for a surplus or Contingency Reserve in 2015/16, with this amounting to R750 million
22. Net Financial Position	857 913	Line 22 indicates that the province will then have a positive Net Financial Position of R857.913 million . While this is, indeed, very good news, these funds are held in reserve to assist the province with the carry-through costs of the above-budget 2015 wage agreement. As mentioned, the shortfall for 2016/17 was calculated at R1.871 billion, while the shortfall amounts to R2.004 billion in 2017/18 and R2.155 billion in 2018/19

