



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

# PBO

**PARLIAMENTARY  
BUDGET OFFICE**



**PARLIAMENT**  
OF THE REPUBLIC OF SOUTH AFRICA

## **Fiscal brief**

2023/24 Financial year analysis  
(April - August 2023)

October 2023

The Parliamentary Budget Office (PBO) has been established in terms of the Money Bills Amendment Procedure and Related Matters Act (Act 9 of 2009). The PBO provides independent, objective, and professional advice and analysis to Parliament on matters related to the budget and other money Bills. The PBO supports the implementation of the Act by undertaking research and analysis for the Finance and Appropriations Committees

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### 1. Purpose

The Fiscal Brief aims to provide Members of Parliament (MPs) with an update on the implementation of the 2023 national, provincial and 2022 municipal budgets. This brief draws on information from the Public Finance Management Act (PFMA) section 32 reports for national and provincial departments released on 2 September 2023. The section 32 reports provide an overview of expenditure on the first five months of the 2023/24 financial year. The brief also draws on information from the Municipal Finance Management Act (MFMA) Section 71 reports released on 29 August 2023. The section 71 reports provide the outcomes for the full 2022/23 financial year.

### 2. National

The national government provides services in terms of Central Government Administration; Justice & Protection Services; Financial & Administration Services; Economic Services & Infrastructure Development; and Social Services. This section provides an analysis of the progress of expenditure and revenue outcomes against the budget at the national level of government for 2023/24.

#### 2.1 Revenue overview

The 2023 Budget Review presented an estimate of gross tax revenue of R1 787.5 billion for the 2022/23 financial year. The National Treasury forecast in the February 2023 Budget Review was that gross tax revenue would increase by 5.6 per cent for the 2023/24 financial year. However, data for April to

August 2023 shows that gross tax revenue increased by only 2.6 per cent on a year-on-year basis. The expected tax revenue shortfall will be R53 billion less than the budget forecast if the current underperformance of tax receipts continues through the remainder of the fiscal year. Most of the revenue shortfall has been due to lower corporate income tax collection, specifically from mining companies following the recent decline in commodity prices.

Table 1 compares tax revenue collection for the first five months of the financial years of the 2023/24 and 2022/23 financial years. There were significant shifts in revenue collection during the 2023/24 financial year compared to the same period in 2022/23 financial year. The year to date collection rate for Personal Income Tax and Value Added Tax have remained relatively unchanged at 39 per cent and 36 per cent respectively, against the April to August 2023 target. However, the collection rate for the Corporate Income Tax has notably dropped from 53 per cent in 2022 to 36 per cent in 2023 against the target. The Fuel Levy collection rate increased from 31 per cent to 41 per cent. Dividend Tax and Custom Duties collection rates decreased from 52 per cent and 42 per cent to 36 per cent, respectively. The Specific Excise Duties collection rate dropped substantially from 37 per cent to 26 per cent. While the Ad-valorem tax collection rate surged from 50 per cent to 76 per cent and the Gross Tax Revenue collection rate declined from 41 per cent to 37 per cent.

Table 1: Tax revenue, collection against budget, April - Aug 2023

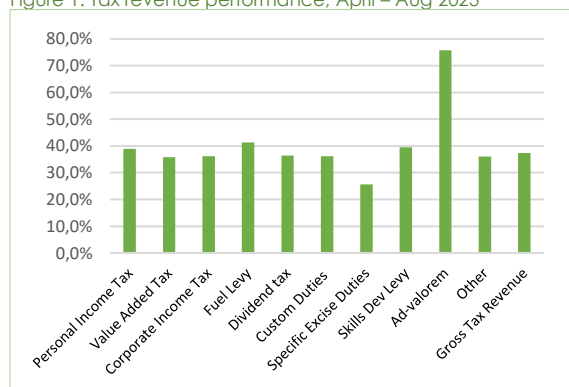
R million	2023 BR Estimates		Collection against target: Apr - Aug 23			Collection against target: Apr - Aug 22		
	R billion	Y-on-Y % change	R billion	YTD Collection rate (%)	Y-on-Y % change	R billion	YTD Collection rate (%)	Y-on-Y % change
Personal Income Tax	640 300	8.9	248 987	38.9	8.0	230 581	39.2	8.4
Value Added Tax	471 477	7.2	168 587	35.8	5.6	159 700	36.3	11.9
Corporate Income Tax	336 119	24.5	121 403	36.1	-15.1	142 938	53.0	14.7
Fuel Levy	90 408	1.5	37 324	41.3	35.0	27 643	31.0	-24.8
Dividend tax	39 731	31.0	14 475	36.4	-7.8	15 703	51.8	25.8
Custom Duties	65 385	4.6	23 628	36.1	-10.1	26 276	42.0	42.6
Specific Excise Duties	8 836	-83.0	2 268	25.7	-88.3	19 380	37.4	32.4
Skills Dev Levy	23 027	11.7	9 084	39.4	9.7	8 283	40.2	8.5
Ad-valorem	4 699	6.7	3 557	75.7	62.0	2 196	49.8	-13.3
Other	107 475	155.3	38 726	36.0	107.0	18 711	44.4	10.0
Gross Tax Revenue	1 787 457	11.8	668 039	37.4	2.6	651 411	40.8	10.5

Source: National Treasury 2023

Figure 1 shows that over 75 per cent of Ad-valorem tax revenue had been collected. In contrast, Specific Excise Duties collection stands at a modest 26 per cent. In the first two quarters, less than 50 per cent of the targeted revenue had been collected on PIT

(39%), VAT (36%) and CIT (36%). The comparison generally shows slower revenue collection against the targets in 2023/24 compared to the 2022/23 financial year for all tax instruments in the same period.

Figure 1: Tax revenue performance, April – Aug 2023



Source: section 32 reports

## 2.2. Expenditure overview

In the 2023 Budget Review, the consolidated budget expenditure was revised upwards from R1 965.3 billion in 2022/23 (32.6% of GDP) to R2 029.6 billion in 2023/24 (32% of GDP). The actual consolidated expenditure by the end of August 2023 was R882.9 billion (43.5%) compared to R809.4 billion (41.2%) over the same period in the previous financial year.

Table 2: Consolidated government expenditure, April – Aug 2023

		Budget estimates	Exp (April - Aug)	% of total
2023/24	Appropriation by vote	1 077 437 771	477 961 764	44.4
	Direct charges against NRF	950 637 631	404 988 774	42.6
	Provision not allocated to vote	1 504 658	-	-
	<b>Consolidated Expenditure</b>	<b>R2 029 580 060</b>	<b>R882 950 538</b>	<b>43.5</b>
	2022/23	Appropriation by vote	1 057 028 607	437 346 711
Direct charges against NRF		902 658 438	372 100 997	41.2
Provision not allocated to vote		5 569 475	-	-
<b>Consolidated Expenditure</b>		<b>1 965 256 520</b>	<b>809 447 708</b>	<b>41.2</b>

Source: section 32 reports

As shown in

Table 2, at the end of August 2023, the total expenditure by national departments was R477.9 billion (44.4% of the total budget). This total spending is R40.6 billion (9.3%) more than the previous financial year. The expenditure on direct charges against the National Revenue Fund (NRF) was R404.9 billion (42.6% of the budget) by the end of August 2023 which is 9 per cent more than in the previous financial year.

Table 3 provides insight into departments that had spent over half of their budgets by the conclusion of August 2023. The Department of Higher Education and Training has spent 69 per cent of its total budget during the first five months of the financial year. Most of this expenditure was directed towards transfers and subsidies aimed at supporting the post-school education and training sector, encompassing universities, technical and vocational education and training (TVET) colleges, Community Education and Training (CET) colleges, and sector education and training authorities (SETAs). Expenditure for the Department of Trade, Industry, and Competition was primarily allocated to incentive programs designed to boost business investment in machinery and equipment. It also supported initiatives related to new energy vehicles, among other priorities. In contrast, the Department of Basic Education's spending was mainly directed towards compensating employees, primarily to address shortfalls in provincial basic education compensation budgets. Additionally, funds were allocated to the national school nutrition program grant, ensuring that students receive meals that meet their nutritional requirements.

Table 3: Faster spending on national departments, April – Aug 2023:

Vote R'000	Budget estimates	Exp (April - Aug)	% of total
Higher Education and Training	110 781 585	75 951 961	69
Trade, Industry and Competition	10 922 547	6 020 061	55
Basic Education	31 782 713	17 015 253	54

Source: section 32 reports

Table 4: Slower spending on national departments, April – Aug 2023

Vote R'000	Budget estimates	Exp (April - Aug) R'000	% of total
Military Veterans	894 704	161 974	18
Women, Youth and Persons with Disabilities	1 036 444	274 176	26
Water and Sanitation	22 257 306	6 696 290	30

Source: section 32 reports

Table 4 presents departments that spent 30 per cent or less of their 2023 budgets during the first five months of the 2023/24 financial year. Notably, the Department of Military Veterans had disbursed just 18 per cent (R161 million) of its budget by August 2023. Similarly, the Department of Women, Youth and Persons with Disabilities showed slow spending at 26 per cent, while Water and Sanitation recorded 30 per cent expenditure.

Table 5: Departments' expenditure by economic classification, April – Aug 2023

R million	2023 Budget Estimates		Exp against target: Apr-Aug 23		
	R'000	Y-on-Y % change	R'000	Exp (%)	Y-on-Y % change
Current payments	263 256 488	0.9	109 666 809	41.7%	9.7
Transfers and subsidies	793 863 001	5.1	362 293 003	45.6%	10.7
Capital assets	18 401 162	18.7	4 584 186	24.9%	23.6
Financial assets	1 917 120	-92.5	1 417 766	74.0%	-77.9
<b>TOTAL</b>	<b>1 077 437 771</b>	<b>1.9</b>	<b>477 961 764</b>	<b>44.4%</b>	<b>9.3</b>

Source: section 32 reports

Year-on-year there was a 1.9 per cent increase in the total budget. While capital assets had the most significant increase at 18.7 per cent between 2022 and 2023. This rise in capital assets is attributed to substantial allocations of R3.7 billion, R1.7 billion, and R1.3 billion to the Police, Basic Education, and Health votes, respectively. The Police allocation is primarily focused on supporting the National Prosecuting Authority and the Special Investigating Unit. The increase in Basic Education capital assets is allocated for the education infrastructure grant, aimed at repairing school infrastructure damaged by the April 2022 floods in the Eastern Cape and KwaZulu-Natal. Additionally, transfers have been designated for the Gauteng schools project to enhance school infrastructure. The capital assets transfers towards Health have also seen an increase, primarily driven by allocations for the national health insurance indirect grant, which will facilitate the construction of the Limpopo Central Hospital in Polokwane and support various other healthcare priorities.

### 2.3. National Government Analysis Summary

At the end of August 2023, 40.8 per cent of the estimated tax revenue for 2023/24 had been collected. The preliminary data on revenue indicates that government is unlikely to reach a primary budget surplus as announced in the 2023 Budget. The main budget expenditure increased by 9.1 per cent year-on-year in the current five months of the 2023/24 financial year.

## 3. Provincial

The provincial government plays an important role in the provisioning of basic education, health services, roads, housing, and social development. The provincial treasuries play an important role in implementing public financial management in a decentralised fiscal context as provided for by the Public Finance Management Act, 1 of 1999. Similar to the section on the national government, this section provides an analysis of expenditure outcomes against

the budget at provincial levels for the first five months of the 2023/24 financial year.

### 3.1. Provincial receipts

Over 97.1 per cent of receipts of provincial governments were allocated from the NRF. At the end of August 2023, provinces had received 44.2 per cent (R307.2 billion) of the budgeted receipts. In terms of own receipts, the provinces collected over 45.9 per cent (R9.6 billion) of their estimated budget on aggregate.

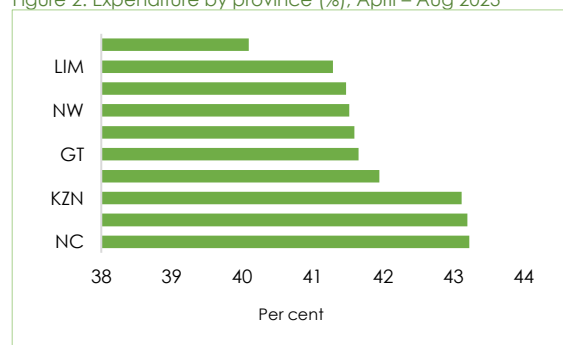
Table 6: Provincial receipts, April – Aug 2023

Receipts	Main Appropriation	Exp (April - Aug)	% of total
Equitable Share	567 527 713	247 805 105	43.7
Conditional Grants	127 398 026	59 349 095	46.6
<b>Transfers from NRF</b>	<b>694 925 739</b>	<b>307 154 200</b>	<b>44.2</b>
Tax Receipts	14 895 258	6 169 679	41.4
Sales of Goods and Services other than Capital Assets	3 415 754	1 293 310	37.9
Transfers Received	24 261	4 444	18.3
Fines, Penalties and Forfeits	307 417	122 933	40.0
Interest, Dividends and Rent on land	1 857 666	1 681 326	90.5
Sale of Capital Assets	76 883	50 379	65.5
Financial Transactions in Assets and Liabilities	316 950	261 497	82.5
<b>Provincial Own Receipts</b>	<b>20 894 189</b>	<b>9 583 567</b>	<b>45.9</b>
<b>TOTAL: RECEIPTS</b>	<b>703 490 729</b>	<b>299 290 721</b>	<b>42.5</b>

Source: section 32 reports

### 3.2. Provincial Expenditure

Figure 2: Expenditure by province (%), April – Aug 2023



Source: section 32 reports

Figure 2 shows the expenditure status by province. On average, the provinces had spent 41.9 per cent (R305.5 billion) of their budgets by the end of August 2023. Relative to other provinces, Eastern Cape, Northern Cape and KwaZulu Natal had the highest expenditure rate of 43 per cent on their budget while Western Cape had the lowest expenditure rate of 40 per cent.

Table 7: Provincial expenditure by economic classification, April – Aug 2023

R million	2023 Budget Estimates		Exp against target: Apr-Aug 23		
	R'000	Y-on-Y % change	R'000	YTD Exp (%)	Y-on-Y % change
Current payments	593 132 161	3.8	251 479 333	42.4	8.1
COE	438 220 225	3.7	185 856 316	42.4	7.3
Goods and	154 903 560	4.1	65 593 440	42.3	10.5
Interest & rent on land	8 376	14.9	29 577	353.1	19.6
Transfers and subsidies	94 221 226	6.6	41 455 899	44.0	7.9
Capital assets	40 879 917	6.5	12 525 732	30.6	15.3
Financial assets	5 823	4.9	23 171	397.9	156.4
<b>TOTAL</b>	<b>728 239 127</b>	<b>4.3</b>	<b>305 484 135</b>	<b>41.9</b>	<b>8.4</b>

Source: section 32 reports

Table 7 shows the total provincial expenditure by economic classification. The total provincial expenditure allocation for the year 2023/24 was R728.2 billion. Of the total budget, current payments consist of R593.1 billion (81.4%) of the budget followed by transfers and subsidies at R94.2 billion (12.9%). It is also worth noting that Compensation of Employees (COE) accounted for 73.9 per cent (R438.2 billion) of current payments or more than 60.2 per cent of the total provincial expenditure budget. This high proportion reflects the personnel-dependent services provided by provincial departments (i.e., Health and education). Year-on-year, the budget increased by 4.3 per cent between 2022 and 2023.

Goods and services accounted for more than a quarter of (R154.9 billion) of the current payments budget and more than 20 per cent of the total provincial expenditure budget. The provinces have on aggregate spent 42.4 per cent of their current expenditure budgets by the end of August 2023.

Table 8: Overall provincial payment for capital assets, April – Aug 2023

R million	2023 Budget Estimates		Exp against target: Apr-Aug 23		
	R'000	Y-on-Y % change	R'000	YTD Exp (%)	Y-on-Y % Change
Buildings and other fixed structures	31 844 520	14.0	9 851 627	30.9	-46.6
Machinery and equipment	540 187	-7.2	2 546 053	29.8	-49.5
Land and sub-soil assets	271 258	-50.7	9 135	3.4	-95.9
Software and other intangible assets	208 248	-31.5	113 268	54.4	-30.5
Biological assets	13 304	34.2	5 603	42.1	3.6
Heritage assets	2 400	-75.3	45	1.9	-98.9
Payments for capital assets	40 879 917	6.5	12 525 732	30.6	0.0

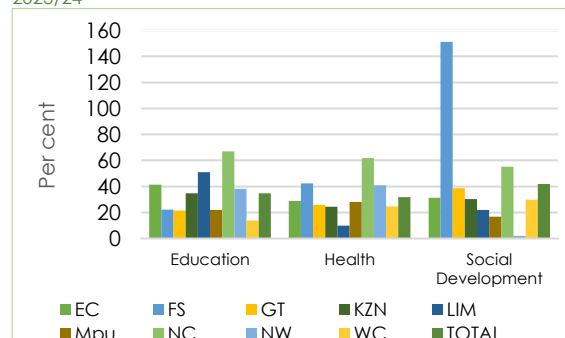
Source: section 32 reports

Provincial payments for capital assets for 2023/24 increased by 6.5 per cent (R2.5 billion) from R38.4 billion in 2022/23 to R40.8 billion. Provinces had spent 30.6 per cent (R12.5 billion) of their estimated capital assets budget by the end of August 2023. The capital

assets budget of 77.9 per cent (R31.8 billion) was allocated for buildings and other fixed structures. Machinery and equipment was allocated just below a quarter (20.9% or R8.5 billion) in the year 2023/24.

### 3.3. Provincial Expenditure trends by sector

Figure 3: Provincial payments for capital assets by function, 2023/24



Source: section 32 reports

Overall payment for capital assets by function shows Free State Social Development, Northern Cape Health and Education spent more than 60 per cent of their capital assets budget. Free State social development was an outlier as it has spent more than 150 per cent of its capital budget allocation. The Lowest spenders include North West Social Development at 2 per cent of its capital budget, Limpopo Health spent on 9.79 per cent of its capital budget and Western Cape Education spending 13.74 per cent of its capital budget.

### 3.4. Provincial Government Analysis Summary

Provinces have generally spent 42.4 per cent of their budgets by the end of August 2023. Faster spending and expenditure on unbudgeted expenditure items remain concerns. For example, provinces spent more than three times the interest and rent on land budget by the end of August 2023. On the other hand, provinces had spent only 30.6 per cent on their capital assets budget. Spending on capital assets may yield much-needed returns in terms of development and growth. Infrastructure development in the provincial health and education sectors, amongst others, may be delayed by the slow spending on capital assets.

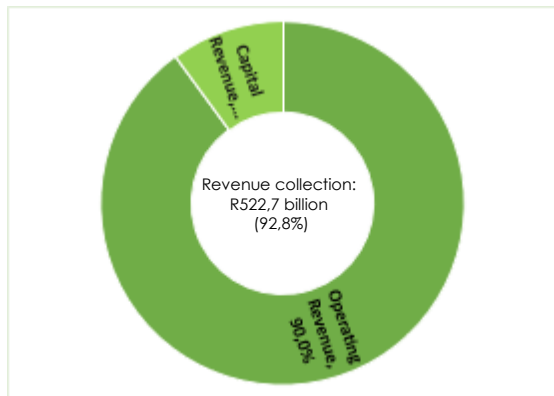
## 4. Local government

Local government (municipalities) is the primary level of government for the delivery of services in South Africa. The core function of local governments is to provide clean drinking water, sanitation, electricity, shelter, waste removal and roads. These services are basic human rights, essential components of the right to dignity enshrined in our Constitution and Bill of Rights. As per the 1998 Local Government White

Paper, municipalities render services at a charge to citizens to generate revenue, unlike the national and provincial governments. This section on local government provides the preliminary expenditure outcomes for the 2023/24 financial year. The municipal financial year, which runs from 1 July to 30 June of the following year, is different from that of the national and provincial levels

#### 4.1. Municipal revenues

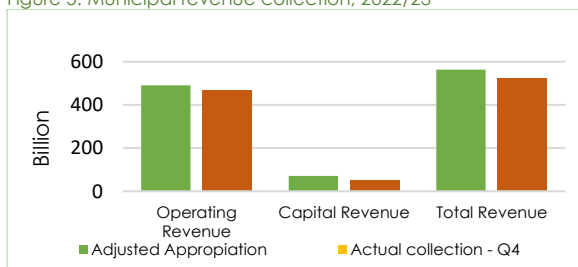
Figure 4: Composition of municipal revenues, 2022/23



Source: Section 71 reports

Figure 4 shows that municipalities' aggregate annual targeted revenue for the 2022/23 financial year was R557.4 billion. Of the annual collected revenue, 90 per cent was collected from operating revenue whilst the balance of 10 per cent was capital revenue. On aggregate, the preliminary revenue collection for 2022/23 amounted to 92.8 per cent (R522.7 billion) compared to the R563 billion adjusted estimate. This was R43.8 billion more than revenue collected in the same period in 2021/22. As a percentage of the target, the revenue collection for 2022/23 is higher than 91.6 per cent in the previous year. The higher target revenue collection suggests that municipalities have improved in meeting their revenue targets.

Figure 5: Municipal revenue collection, 2022/23



Source: section 32 reports

By the end of the 2022/23 financial year, municipalities collected 95.7 per cent (R470.3 billion) of their annual estimated operating revenue. This is higher than the previous financial year when municipalities had

collected 94.5 per cent (R432.5 billion). At the end of the financial year, municipalities collected 73.2 per cent (R52.4 billion) of their estimated capital revenue. This was higher than the previous year where 69.4 per cent of capital revenue was collected. The higher-than-expected revenue collection rate highlights local governments' abilities to collect revenue within their revenue management value chains.

#### 4.2. Operating revenue

Table 9: Composition of operating revenues, 2022/23

Actual against budget revenue R'000 - April-August 2022/2023					
Source	Adjusted Budget	Actual expenditure - Q4	% of total	% Share	
Service Charges	242 022 684 190	229 364 121 800	94.8	52.7	
Transfers and subsidies	100 809 057 595	100 286 493 550	99.5	21.9	
Property rates	86 552 452 064	84 214 892 349	97.3	18.8	
Interest earned outstanding debtors	4 290 515 378	5 082 421 621	118.5	0.9	
Fines, penalties, licences and forfeits	5 296 970 885	4 214 840 053	79.6	1.2	
Gains	5 485 503 626	4 952 231 460	90.3	1.2	
Interest earned external investments	9 871 896 954	11 398 315 769	115.5	2.1	
Rental of facilities and equipment	2 983 972 177	2 625 789 574	88.0	0.6	
Agency services	2 090 811 934	1 835 720 099	87.8	0.5	
Dividends received	5 927 663	42 472 953	716.5	0.0	
<b>Operating Revenue</b>	<b>459 409 792 466</b>	<b>444 017 299 228</b>	<b>96.6</b>	<b>100.0</b>	

Source: Section 71 reports

As shown in Table 9, more than 50 per cent of the aggregated operating revenue was generated from municipal service charges (52.7% or R229.3 billion), followed by transfers and subsidies (21.9% or R100.2 billion) and property rates (18.8% or R84.2 billion). These are the three main sources of municipal operating revenue, which constitute more than 93 per cent of total operating revenue. Dividends received (716.5%), interest earned on outstanding debtors (118.5%), and interest earned on investment (115.5%) overperformed in revenue collection while fines, penalties, and forfeits (76.6%), rental of facilities and equipment (88%) and agency services (87.8%) collected were less than 90 per cent of the annual estimates.

### 4.3. Capital Revenue

Table 10: Composition of capital revenue, 2022/23

Actual against budget revenue R'000 – 2022/2023				
Source of Capex	Adjusted Appropriation	Actual expenditure – Q4	% of total	% Share
Transfers recognised – capital	46 231 113 008	34 133 299 254	73.8	64.6
Internally generated funds	16 565 779 565	11 871 135 284	71.7	23.1
Borrowing	8 817 249 856	6 417 269 286	72.8	12.3
Source of Finance	71 614 142 429	52 421 703 824	73.2	100.0

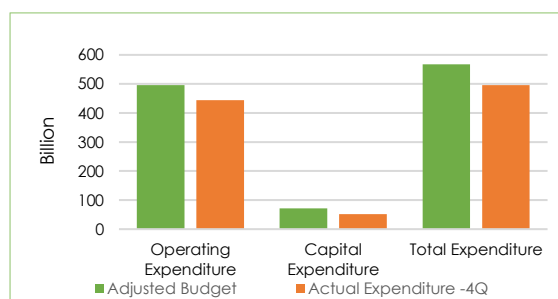
Source: section 71 reports

Almost two-thirds of the collected aggregate capital revenue comes from government transfers (64.6% or R34.1 billion), followed by borrowing (23.1% or R11.8 billion) and internally generated revenue (12.3% or R6.4 billion). On aggregate municipalities borrowed less than they estimated for the year with only R6.4 billion compared to an estimate of R8.8 billion.

### 4.4. Municipal expenditure

Almost 90 per cent of municipalities' expenditure is operation expenditure. By the end of the 2022/23 financial year, municipalities had spent 89.7 per cent or R444.1 billion on operating expenditure in the same period. This spending was higher than the 86.8 per cent (R460.5 billion) spent in the previous financial year.

Figure 6: Municipal actual expenditure, 2022/23



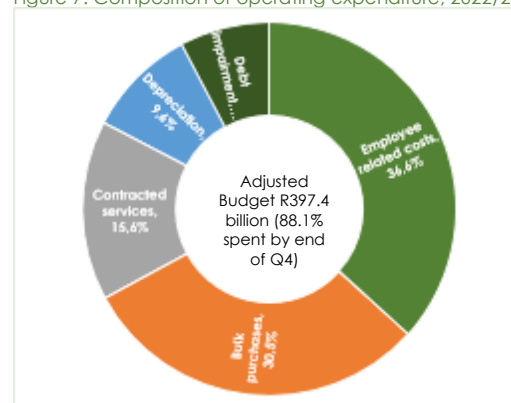
Source: section 71 reports

### 4.5. Operating expenditure

The drivers of operating expenditure at a municipal level are compensation of employees with the largest budget (36.1% or R140.1 billion), followed by Bulk purchases (30.5% or R116.5 billion). Contracted services are the third highest (15.6% or R59.5 billion) expenditure item. Municipalities had spent 88.1 per cent of their operating expenditure by the end of the financial year, which was lower than 89.2 per cent in the previous financial year. There was significant overspending on transfers and subsidies (207.4%),

while less than estimated was spent on debt impairment (59.1%).

Figure 7: Composition of operating expenditure, 2022/23



Source: section 71 reports

### 4.6. Capital expenditure

Table 11: Composition of capital expenditure, 2022/23

Actual against budget Expenditure R'000 – 2022/2023				
Expenditure	Adjusted Budget	Exp (2022 – 2023)	% of total	%Share
Trading Services	35 559 707 126	31 391 790 614	88.3	49.5
Economic and Environmental Services	20 077 715 769	-12 030 264 634	-59.9	27.9
Community and Public Safety	10 276 629 455	7 641 480 326	74.4	14.3
Municipal governance and administration	5 642 414 271	24 614 490 100	436.2	7.8
Other	330 269 963	233 199 916	70.6	0.5
<b>Total Capital Exp</b>	<b>71 886 736 584</b>	<b>51 850 696 322</b>	<b>72.1</b>	<b>100.0</b>

Source: section 71 reports

Municipalities have spent 72.1 per cent (R51.8 billion) of the R71.8 billion adjusted capital expenditure budget for 2022/23 by the end of the financial year. About half of the capital expenditure budget was spent on trading services (49.5% or R31.3 billion) followed by economic and environmental services (27.9% or R12 billion).

### 4.7. Local Government Analysis Summary

The PBO findings revealed that local government requires support in order to increase its revenue collection capabilities and fulfil its service delivery mandate. From the estimated revenue collection of R522.7 billion, municipalities were able to collect only 92.8 per cent. Municipalities could spend only 87.4 per cent or (R496 billion) of the estimated budget of R567.2 billion. Municipalities continue to face financial and operational challenges that hinder local governments from delivering basic services. As the Auditor General South Africa notes, basic

discipline and processes should be in place to address these challenges. These measures include procuring at the best price, paying only for what was received, making payments on time, recovering the revenue owed to the state, and safeguarding assets.