+SECTION27 incorporating the AIDS Law Project
catalysts for social justice

Budget Analysis

Gauteng Department of Health and Social Development

2011/12

DRAFT

April 2011

Daygan Eagar

6th floor, Braamfontein Centre, 23 Jorissen Street, Braamfontein, South Africa. PO Box 32361, Braamfontein, 2017. t +27 (0)11 356 4100 f +27 (0)11 339 4311 **www.section27.org.za**

Key Findings

- The Gauteng Department of Health's budget for 2011/12 will be R23.2 billion. This is R2.48 billion more than it received in the adjusted appropriation last year. Once inflation is taken into account this represents an increase of 7%.

- The department estimates that it will have overspent on its budget for 2010/11 by R1.10 billion (5%). This was due to higher than anticipated employee costs and higher than inflation increases in costs for goods and services. When this overspending is taken into account, the allocation for 2011/12 only increases by 2% in real terms.

- The Department will not receive additional funding from Treasury to cover its debt and it is probable that the Department will have to pay money owed for goods and services delivered in 2010/11 but not yet paid for (accruals) out of the budget for 2011/12. This means that the Department's budget will once again be under pressure and it is likely that it will again overspend on its budget allocation.

- 55% or R13.89 billion of the Department's budget will go towards the compensation of employees. This is a substantial increase of 19.94% against the adjusted appropriation. However, due to higher than budgeted employee costs in 2010/11, this is only a marginal increase of 4.94% in real terms against the revised estimate.

- Rising employee costs are crowding out allocations for other aspects of the budget. The allocation for goods and services— which is used for medicines, medical supplies, and the outsourcing of departmental functions—will decrease by 2.69% in real terms against the revised estimate for 2010/11. This means that the Department will have significantly less to spend on goods and services than it spent last year and will not be able to adequately meet the growing demand for services.

- The budget for capital assets (machinery, equipment and fixed structures) will decrease by R320 million or 21.62% in real terms. This means that the Department will have significantly less to spend on the building, refurbishment, maintenance and upgrade of its machinery and equipment than it did last year.

- The District Health Services Programme receives the largest slice of the Department's budget, receiving an allocation of R7.01 Billion or 30% of what is available to the Department. This is a substantial real increase of 9.14% against the revised estimate. Priority sub-programmes such as Community Health Clinics, Community Health Centers, HIV/AIDS and District Hospitals will receive significant real increases against the adjusted appropriation of 7.23%, 26.54%, 20.42%, and 20.20% respectively.

- The budget for the HIV and AIDS sub-programme increases by R396 million to R1.91 billion in 2011/12. This is a real increase of 20.42% against both the adjusted appropriation and revised estimate from 2010/11. Unfortunately the allocation for the Community Based Services sub-programme, which is essential to the delivery of services for HIV and AIDS, will decrease by 14.46% and 18.28% in real terms against the adjusted appropriation and revised estimate respectively.

- For the 2011/12 financial year the budget for the Central Hospital Services Programme, which is responsible for the functioning of tertiary and academic hospitals such as the Charlotte Maxeke and Helen Joseph hospitals, will be R6.49 billion. Once inflation is taken into account, this is 3.23% less than the Department estimates it will have spent on this programme in 2010/11. While the allocation for the compensation of employees for this programme will increase by 5.80% in real terms against the revised estimate, the allocation for goods and services will decrease by 22% against the revised estimate. This is likely to put severe strain on provision of medicines and medical supplies at these facilities.

- The budget for the Provincial Hospital Serivices Programme, which is responsible for all general hospitals as well as specialized Tuberculosis (TB), dental training and psychiatric facilities will decreases by R196 million or 3.78% in real terms against the revised estimate for 2010/11.

- For the 2011/12 financial year the TB Hospitals sub-programme will receive an allocation of R300 million. This is R17 million or 10% in real terms less than was available to it the previous year. Based on information in the Budget Statement, this is largely due to the closure of three TB hospitals in the province.

Introduction

The South African Constitution commits government departments to the progressive realization of socio-economic rights. In terms of health care, section 27 of the Constitution guarantees that everyone has the right to have access to "health care services, including reproductive health care" and that "no one may be refused emergency medical treatment".[1]

In terms of the Constitution the state must take "reasonable legislative and other measures, within its available resources, to achieve the progressive realization of each of these rights".[2] This responsibility includes the efficient, effective and equitable management of public resources for health care. The state must ensure that it develops budgets and strategic plans at all levels of government that best serve to achieve these objectives and ultimately the right to health care.

This report analyses the Gauteng Department of Health's 2011/12 budget and the extent to which it provides sufficient resources for the effective delivery of critical health services as outlined in the department's policy documentation. In this regard it seeks to determine if the allocations made for key budget items and programmes are in-line with policy commitments, increases in inflation and the Department's past expenditure performance.

Policy Priorities[3]

For the 2011/12 financial year the Gauteng Department of Health and Social Development ('the Department') has committed to "provide excellent, integrated health and social development services in partnership with stakeholders to contribute to the reduction of poverty, vulnerability and the burden of disease in all communities in Gauteng".[4] To do this the Department has set the following broad strategic objectives:

- To improve health and well-being with an emphasis on vulnerable groups;
- To reduce the rate of new HIV infections by 50 per cent in youth, adults and babies and reduce TB and AIDS related deaths by 20 per cent;
- Decrease maternal and child mortality through the continued implementation of priority programmes such as those involving emergency obstetrics, termination of pregnancy, HAART for pregnant women and PMTCT services
- Increasing life expectancy by effectively treating both communicable and non-communicable diseases;
- To build and maintain partnerships with the private sector, municipalities, provincial and community level stakeholders in a manner that accelerates service delivery; and
- To improve human capital management and development for better health outcomes.

---

[1] Constitution of the Republic of South Africa (Act 106 of 1996), section 27, ss. 1(a) and 3

[2] Constitution of the Republic of South Africa (Act 106 of 1996), section 27, ss. 2

[3] The priorities outlined here are limited and do not reflect the specific targets for each priority or service delivery area. This is because, at the time of writing, the Department had not yet tabled its strategic and operational plans for 2011/12

[4] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p.115

In order to achieve these broad goals the Department must develop a budget that allocates sufficient resources to programmes and interventions that contribute to their achievement. What follows is an assessment of the Department's resource allocation based on its priorities as well as its past spending performance against these priorities.

Budget Analysis

For the 2011/12 financial year the Gauteng Department of Health and Social Development ('the Department') will receive the second largest allocation from the provincial budget, receiving R25.3 billion or 37% of the R67.6 billion available to the province. This represents an increase of R2.7 billion (12%) on the 2010/11 adjusted appropriation[5] and R1.7 billion (6.9%) on the revised estimate.[6] Once inflation is taken into account, this represents a real increase of 7 % against the adjusted appropriation and 2.6 % against the revised estimate (see Table 1).

Table 1: 2011/12 Budget by Economic Classification[7]

(R' 000)	Outcome						Medium-term estimate				%Real Change between 2010/11 and 2011/12	%Real Change against Revised Estimate 2009/10	%Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10	Main Appro-priation 2010/11	Adjusted appro-priation 2010/11	Revised estimate 2010/11	2011/12	% change from Adjusted Appropriation 2010/11	2012/13	2013/14			
Current payments	**11 770 241**	**14 380 964**	**17 405 015**	**18 282 851**	**18 506 217**	**19 803 124**	**21 183 004**	**14,46**	**23 206 213**	**24 911 418**	**9,33**	**2,17**	**3,78**
Compensation of employees	6 876 624	8 638 590	10 451 068	11 257 066	11 584 233	12 649 400	13 894 207	**19,94**	14 944 832	16 036 271	14,56	4,91	3,14
Goods and Services	4 893 617	5 742 374	6 953 947	7 025 785	6 921 984	7 153 724	7 288 797	**5,30**	8 261 381	8 875 147	0,57	-2,69	4,99
Interest and rent on land													
Financial transactions in assets and liabilities													
Unauthorised expenditure													
Transfers and Subsidies to	**1 490 081**	**1 538 514**	**1 793 900**	**2 136 097**	**2 136 475**	**2 147 288**	**2 498 986**	**16,97**	**2 653 296**	**2 709 154**	**11,72**	**11,15**	**1,01**
Provinces and municipalities	384 451	353 895	466 217	498 800	498 800	498 800	563 060	**12,88**	602 353	619 928	7,82	7,82	1,53
Departmental agencies and accounts	268	6 988	9 037	9 702	9 702	9 702	13 182	**35,87**	14 207	15 250	29,77	29,77	3,22
Universities and technikons	676	748	866	835	835	835	1 162	**39,16**	1 500	1 650	32,91	32,91	10,51
Public corporations and private enterprises													
Foreign governments and international organisations													
Non-profit institutions	1 056 429	1 131 183	1 268 156	1 579 490	1 579 868	1 579 775	1 871 967	**18,49**	1 975 585	2 011 499	13,17	13,18	0,71
Households	48 257	45 700	49 624	47 270	47 270	58 176	49 615	**4,96**	59 651	60 827	0,25	-18,54	5,23
Payments for capital assets	**1 161 580**	**1 499 893**	**1 066 084**	**1 818 423**	**1 925 746**	**1 567 975**	**1 580 379**	**-17,93**	**1 783 043**	**1 963 139**	**-21,62**	**-3,73**	**5,70**
Buidlings and other fixed structures	909 658	1 160 455	865419	1 194 177	1 072 177	1 064 625	905 429	**-15,55**	1 174 989	1 571 719	-19,34	-18,77	18,17
Machinery and equipment	251 922	326 997	200 653	624 246	853 569	503 142	674 950	**-20,93**	608 054	391 420	-24,48	28,13	-18,01
Software and other intangible assets	2 133	14 888	7 370			662							
Total economic classification	**14 424 035**	**17 421 818**	**20 272 357**	**22 237 371**	**22 568 438**	**23 518 841**	**25 262 369**	**12**	**27 642 552**	**29 583 711**	**6,91**	**2,59**	**3,64**

Of this R25.3 billion, R23.2 billion will go towards the provision of health care services with the remaining R2.1 billion used to fund programmes providing social welfare and sustainable development. The budget for the provision of health care will increase from an adjusted appropriation of R20.69 billion in 2010/11 to R25.26 billion for 2011/12. This is an increase of R2.48 billion, or 12% in nominal terms and 7% in real terms.[8]

It is important to note that for 2010/11 the Department estimates that by the end of the financial year it will have overspent on its adjusted appropriation for its health component by approximately R1.1 billion. This is 5% more than was allocated in the budget for that year.

---

[5] The adjusted appropriation is the budget allocation after the budget has been adjusted up or down during medium term budget review. It may be adjusted up because of unforeseen or higher than expected expenditure during the year or it may be adjusted down if a department is underspending on an allocation.

[6] The revised estimate indicates how much the Department estimates it will have spent on any given budget item by the end of the financial year. The revised estimate is an un-audited allocation so it is subject to change in later budget documentation. It is however used by departments when determining how much they need to allocate for each budget item the following year.

[7] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p.131-132

[8] Ibid.

This repeats a trend that has seen the Departments budget deficit spiral out-of-control for at least the last six financial years. In 2005/06 the deficit was R292 million, this increased to R429 million in 2006/07, R867 million in 2007/08, R897 million in 2008/09[9] and by the end 2009/10 totaled R1.60 billion. While the deficit at the beginning of 2011/12 is expected to be marginally less than it was in 2010/11, it is still unacceptably high and will have implications for the availability of funding for the year under review.

It is not yet clear if the Department has received an overdraft to cover this expenditure or whether it will be required to pay for goods and services received in the previous year but not yet paid for (accruals) from the 2011/12 budget. In the past the Department has received a small overdraft (a loan from Treasury) to cover a portion of its debt while the remainder had to be paid in full from the current budget. For example, in 2006/07 accruals totaled R283 million with the remaining R9 million covered by an overdraft. By 2008/09 accruals had increased to R700 million with the remaining R197 covered by an overdraft.[10] While it impossible to determine how at this point how the 2011/12 deficit will be managed, history tells us that the most of it will have to be covered in full from the current budget.

This means that a significant proportion of the R1.10 billion owing to service providers for the 2010/11 financial year will have to come out of the budget for 2011/12 and will need to be done before the Department initiates spending for the current financial year. As a consequence, the Department will have appreciably less to spend on services to be delivered in 2011/12 than suggested in the budget documentation.

If the Department has not taken this deficit into account when developing its costed strategic plans, there is a strong probability that the Department will deplete its budget well before the end of the year and either be forced to accrue further debt or cut-back on key services. In the past, delayed payments to suppliers has resulted in the Department incurring interest on amounts owed;[11] suppliers cutting back on the delivery of goods and services;[12] and in some instances, legal action.[13]

The causes of this overspending are well known and will be discussed in more detail below. Broadly speaking, however, overspending has largely been as a result of underfunded and unfunded mandates relating to the compensation of employees, higher than inflation increases to goods and services and inadequate systems to monitor and evaluate expenditure.[14] Despite the Department being well aware of these issues for a number of years, there have been few coherent strategies and interventions put in place which have meaningfully started to address these challenges.

---

[9] Gauteng Department of Health, *Report of the Integrated Support Team 2009*, p.28

[10] Ibid, p.28

[11] Gauteng Department of Health, *Report of the Integrated Support Team 2009*, p. 32

[12] See for example, 'Crisis looms as hospitals default on accounts', IOL News, 9 Jan 2010

[13] See for example, 'Hospital Supplier Sues Gauteng Government', Legalbrief, 15 Jan 2010, available at http://www.legalbrief.co.za/article.php?story=20100115082756900

[14] IST

There is also some indication that any future interventions will not involve additional financial resources to clear outstanding debt. In a response to a question in Parliament in October 2010, the Minister of Finance openly stated that Treasury would not bail out provincial health departments who had overspent on their budgets. He argued that this would reward those departments that did not comply with the Public Finance Management Act (PFMA) as well as those that are not prudent with their budgets. He asserted that those provincial departments that have overspent on their budgets would need to implement cost-containment measures in an effort to reduce the deficit.[15]

It is not clear what these cost-containment measures will involve and what could be done to save money without cutting back on the delivery of services. As the more detailed analysis of the budget provided below shows, what is clear is that in an effort to meet rising employee costs and the growing burden of debt, the Department has been forced to develop a budget which will not provide sufficient financial resources to meet the growing demand for services in priority areas.

The Budget by Economic classification

With R 13.89 billion or 55% of the Department's budget allocated to the payment of salaries and benefits, the compensation of employees is clearly the Department's major cost driver. This is followed by the goods and services allocation which will receive R7.28 billion or 29% of the budget and will be used for the outsourcing of departmental functions and the purchase of medicines and medical supplies. R 2.50 billion, or 10%, will be used to fund non-profit institutions, municipalities and bursaries for the training of health care professionals. The remaining R1.58 billion or 6% of the budget will be used to develop, purchase and maintain capital assets such as buildings, machinery and equipment (see Table 1 above).

I. Compensation of Employees

The allocation for the compensation of employees will increase by R2.31 billion from the 2010/11 adjusted appropriation of R11.58 billion to R13.89 billion in 2011/12. While this represents a significant nominal increase of 19.94% against the adjusted appropriation for 2010/11, we need to understand this allocation in context.

Employee costs have been increasing beyond inflation over the last few years and have placed a great deal of pressure on the Department's budget. These higher than budgeted employee costs have largely emerged from public sector wage agreements that exceed inflation and the impact of the OSD.[16]

The impact of higher than anticipated costs has then been compounded by the fact that the department has failed to accurately align its budget to the actual staff establishment. In this regard, the IST reports state that:

---

[15] National Assembly. Response to Question for Written Reply, Question No. 2829, 22 October 2010.cAvailable at http://www.politicsweb.co.za/politicsweb/view/politicsweb/en/page71654/page71656?oid=215194&sn=Detail&pid=71656

[16] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12*

> "At times the budget does not even adequately cover the number of staff employed (i.e the budget does not cover "warm bodies"), which results in the situation that there will definitely be an over spend with regard to compensation of employees."[17]

There is evidence to suggest that this state of affairs continued into the 2010/11 financial year and will have consequences for the Department's budget in 2011/12. The Department estimates that by the end of 2011/12 it will have spent approximately R1.07 billion or 9.19%, more than was made available to it in the adjusted budget that year. This means that if we take the revised estimate as the baseline for increases to this allocation in 2011/12, the budget for the compensation of employees will only increase by 4.91% in real terms.

There is evidence to suggest that this increase will primarily be used to adjust the budget for higher than expected employee costs and the further expansion of the OSD. In the Budget Statement the Department states that the increase to the budget for the compensation of employees in 2011/12 is due to additional allocations made to the Department "in terms of OSD for doctors, therapists and specialists as well as carry-through effects of improvement of conditions of service from the previous financial year."[18] This means that there is little room in the budget, if any, for the recruitment of additional health care professionals.

While it is undoubtedly important that the Department continues to move towards a structure of staff remuneration that is fair and progressive, this must be done based on a rigorous analysis of the Department's organizational profile and what will best serve to attract and retain staff in critical positions. Evidence suggests that this has not been the case in the past and the Department does not base Human Resource (HR) related decisions on a critical assessment of the organizational establishment. In this regard the IST report found that:

> "Monitoring and evaluation (M&E) is inadequate. Although in some directorates, much time and resources are invested in data collection, these data are not always analysed, interpreted or used for decision making and there is little or no feedback of information from one level to the next. The PERSAL data is hardly used for management purposes yet HR costs account for 50% of the total expenditure"[19]

Even if the Department was to base its HR planning and financing on data contained within PERSAL, there is no guarantee that this will necessarily improve allocative efficiency. In its most recent report on the Department's financial statements, the Auditor General (AG) found that "the department could not provide sufficient appropriate evidence for the compensation of employees" resulting in the AG being unable to "physically verify some employees".[20]

The inability to verify some employees on PERSAL means that it is impossible to tell the extent of loss through fraudulent claims for benefits and payments made to individuals no longer on the organizational establishment. This inevitably results in the loss of funds that should be used to attract and retain staff.

---

[17] Gauteng Department of Health, *Report of the Integrated Support Team 2009*, p. 69

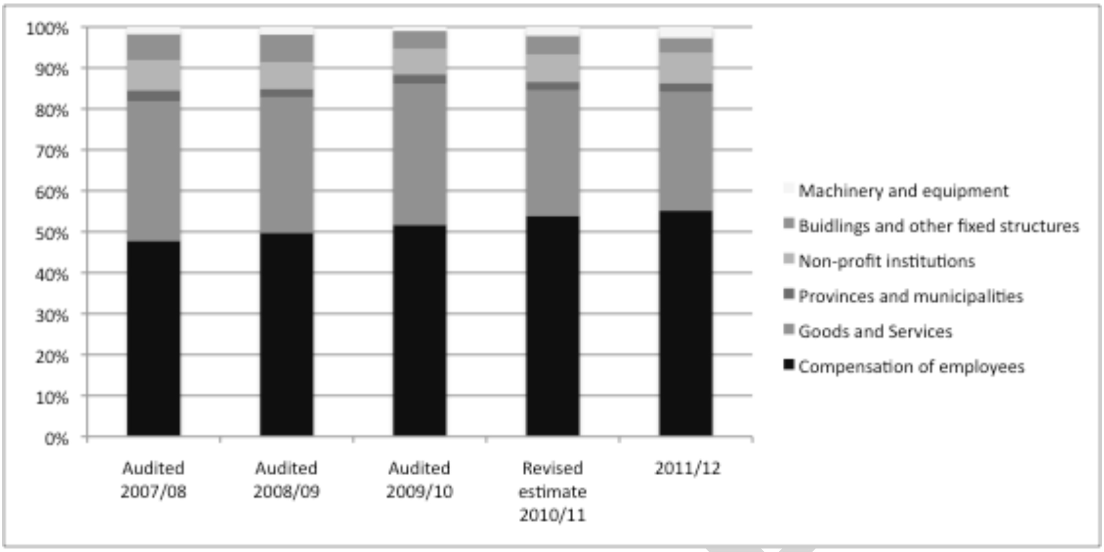
[18] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p.132

[19] Gauteng Department of Health, *Report of the Integrated Support Team 2009*, p. 13

[20] Gauteng Department of Health and Social Development, Annual Report 2009/10, p.192

What can be said, however, is that the gaps within PERSAL and the Department's inability to use data in its planning and budgeting for employee remuneration contributes to higher than budgeted costs and the need to increase allocations for this purpose beyond inflation each year.

Graph 1: Proportional Allocations by Economic Classification



The impact of persistently higher than budgeted employee costs are clearly illustrated by the steady increase in the proportion of the Department's budget that goes to compensation of employees (Graph 1). In 2007/08 the compensation of employees accounted for 47.67% of the Department's budget, by 2010/11 this had increased to 53.78% and for 2011/12 is set to account for 55% of the budget. As Graph 1 clearly shows, this proportional increase is starting to crowd out allocations for other critical budget items. This is most clearly illustrated by the proportional decrease in allocations for goods and services since 2007/08.

II. Goods and Services

The allocation for the purchase of goods and services—which includes medicines, medical supplies, and the outsourcing of departmental functions—will only increase by 5.3% in nominal terms from the 2010/11 adjusted appropriation. Once inflation is taken into account, this is only a real increase of 0.57% (see Table 1).

As with the allocation for the compensation of employees, it is important to understand this increase in terms of what the Department estimates it will have spent the previous year, as this gives a better indication of actual expenditure. The Department estimates that by the end of 2010/11, it will have spent approximately R231 million more than was allocated. This means that if we compare the budget for goods and services for 2011/12 with the revised estimate for 2010/11, we find that this allocation will actually decrease by 2.69% in real terms (see Table 1).

Again, Gauteng's IST report highlights higher than inflation increases in costs— specifically for laboratory services and medicines and medical supplies—as the main cause of budgetary pressure for this budget item.[21] The IST report goes on to state that pressure on the budget for goods and services is made worse by poor internal controls and supply chain management systems. For

[21] Gauteng Department of Health, *Report of the Integrated Support Team 2009*, p. 30

example, the report states “pilferage of medicines, food and equipment is rife, as there is little control and monitoring of this”.[22]

This real decrease against the revised estimate is troubling because there is no indication that the demand for services is set to decrease. In fact, the Department has stated its commitment to expand the provision of services that rely heavily on the provision of medicines and medical supplies.[23]

While the shortage of funding for goods and services and material loss through wastage and theft are problems in and of themselves, it must be remembered that shortages of medicines, medical supplies, laboratory services and food has very real consequences for the delivery of services and the care patients receive.

Over the past few years there have been a number of reports in the media on the impact of funding shortages for the provision of medicines and the outsourcing of services.[24]

III. Transfers and Subsidies

The allocation for transfers and subsidies to municipalities, departmental agencies and accounts, universities, non-profit institutions and households will increase substantially for the 2011/12 financial year from a revised estimate of R2.14 billion in 2010/11 to R2.5 billion. This represents a real increase of 11.15% against the revised estimate (see Table 1).

R1.8 billion or 75% of this allocation will go towards the funding of non-profit institutions. This allocation increases by R292 million or 13.17% in real terms from the 2010/11 adjusted appropriation and 13.18% in real terms from the revised estimate.

The most substantial increases will go towards the funding of Non-Governmental Organizations providing services related to HIV and AIDS and community based services. Funding for NGOs providing services for HIV and AIDS will increase by R60 million to R382 million in 2011/12 from the revised estimate of R322 million in 2010/11.[25] This represents a real increase of 13.26%. Funding to organizations providing community based services will increase by R 112 million to R179 million in 2011/12 from a revised estimate for 2010/11 of R67.6 million.[26]

These increases are important since they provide an indication that the Department intends to direct additional funding to NGOs providing critical support to the expansion of primary health care and, in particular, the delivery of services related to HIV and AIDS. Both are national priorities and to a large extent depend on the support of well-resourced NGOs. That said, as with any other

---

22 Gauteng Department of Health, *Report of the Integrated Support Team 2009*, p. 99

23 Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12*, pp. 124-128

24 See for example, ‘Health’s dirty bill’, in The Mail And Guardian, 6 April 2009; ‘Medical companies bleeding over non-payment’, Jacaranda FM, 5 Feb 2010; ‘Health care sick as a dog’, in City Press, 14 Feb 2010;

25 Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 134

26 Ibid

outsourced function, proper checks and balances needed to ensure that money transferred to NGOs is used for their intended purpose.[27]

IV. Capital Assets

The budget for capital assets (machinery, equipment and fixed structures) will decrease by R320 million against the 2010/11 adjusted appropriation of R1.93 billion to R1.58 billion for the year under review. This represents a substantial real decrease of 21.62%. The situation appears to be marginally better when this allocation is compared to the R1.57 billion revised estimate of for 2010/11. In this instance, the allocation only decreases by 3.73% in real terms (see Table 1).

When the allocation for capital assets is disaggregated into is component allocations for machinery, equipment and fixed structures, a few important issues emerge. The budget for buildings and fixed structures is set to decrease by R167 million against the adjusted appropriation and R159 million against the revised estimate for 2010/11. This represents real decreases of 19.34% and 18.77% respectively. This is difficult to explain since the Department states that the "revitalization of physical infrastructure" is a priority.[28] The only possible explanation that can be inferred from information contained within the Budget Statement is that while work on infrastructure will start in 2011/12, payments for projects will only made in the outer two years of the MTEF. This is best evidenced by the fact that the average real growth of this allocation over the entire MTEF is 18.17% (see Table 1).

The budget for machinery and equipment will decrease considerably 20.93% in real terms against the adjusted appropriation for 2010/11. The primary reason for this appears to be the fact that the Department estimates it will only have spent approximately R503 milllion of the R854 million available to it in 2010/11. This means that when compared to the revised estimate for 2010/11, the allocation for machinery and equipment will actually increase by 28.13% in real terms. Even so, the allocation for this budget item is set to decrease by, on average, 18.01% over the MTEF.

The purchase and maintenance of machinery and equipment remains one of the most pressing challenges for the Department. The IST report highlights systemic failings as the primary cause of issues with the availability and reliability of the Department's machinery and equipment. The report highlights the fact that there is a misalignment between capital and operational plans and there is little or no planning of the long-term operational impact of capital expenditure. These issues are then compounded by the fact that there are no formal plans for the maintenance of equipment, which often results in equipment being out of order for long periods of time.[29]

In addition to poor planning, the in its most recent report the AG states, "The department could not provide sufficient appropriate audit evidence to support the existence of tangible assets amounting to R632 299 930".[30] If the Department cannot account for tangible assets totaling more than R600million then it cannot expect to ensure the proper management and efficient use of these resources.

[27] The Public Finance Management Act (Act 1 of 1999), Chapter 5 (38)(j)

[28] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 132

[29] Gauteng Department of Health, *Report of the Integrated Support Team 2009*

[30] Gauteng Department of Health and Social Development, Annual Report 2009/10, p.192

Even though the issues highlighted thus far affects most of the Department's programmes and functions equally, it is important to highlight how these funding constraints may have an impact on services provided by the Department's key service delivery programmes.

Budget by Programme

An examination of the budget by progarmme reveals that the District Health Services Programme receives the largest slice of the budget with an allocation of R7.01 Billion or 30% of the total allocation. The Central Hospital Services Programme follows with an allocation of R6.49 billion or 28% of available funding. The Provincial Hospital Services Programme will receive R4.98 billion or 21% of the total while the Health Facilities Development and Maintenance Programme will receive R 2.25 Billion or 10%. The remaining R2.44 billion will be divided between Administration (4%), Health Sciences and Training (3%), Emergency Medical Services (3%) and Health Care and Support Services (1%) (see Table 2).

Table 2: Health Budget by Programme[31]

Programme (R ' 000)	Outcome			Main Appro-priation 2010/11	Adjusted appropriation 2010/11	Revised estimate 2010/11	Medium-term estimate				% Real Change between 2010/11 and	% Real Change against Revised Estimate	% Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10				2011/12	% Change from Adjusted Appropriation 2010/11	2012/13	2013/14			
1. Administration	699 513	1 206 472	771 399	785 015	789 216	716 185	**838 735**	6,27	890 618	890 587	1,50	11,85	-1,31
2. District Health Services	3 288 189	3 919 994	5 003 029	5 873 727	5 947 084	6 138 754	**7 014 851**	17,95	8 176 063	9 007 019	12,66	9,14	5,14
3. Emergency Medical Services	363 053	438 857	600 645	649 369	660 873	660 873	**703 070**	6,39	759 554	761 738	1,61	1,61	-0,64
4. Provincial Hospital Services	3 336 320	3 872 776	4 487 688	4 564 652	4 642 471	5 180 527	**4 984 745**	7,37	5 494 158	6 117 727	2,55	-8,10	3,57
5. Central Hospital Services	4 084 238	4 619 522	5 733 174	5 649 763	5 755 290	6 403 507	**6 487 604**	12,72	6 873 085	7 197 297	7,66	-3,23	0,14
6. Health Science and Training	348 280	484 417	562 099	657 494	692 682	667 564	**736 022**	6,26	752 481	752 527	1,49	5,31	-2,54
7. Health Care and Support Services	114 237	125 518	137 395	149 644	158 847	148 912	**163 326**	2,82	169 475	169 554	-1,80	4,76	-2,05
8. Health Facilities Development and Maintenance	1 202 867	1 500 023	1 413 479	2 047 477	2 047 477	1 786 175	**2 245 865**	9,69	2 354 640	2 379 108	4,77	20,09	-1,39
Total payments and estimates	13 436 697	16 167 579	18 708 908	20 377 141	20 693 940	21 702 497	**23 174 218**	11,99	25 470 074	27 275 557	6,96	1,99	2,14

I. District Health Services (DHS)

Reciving 30% of the Departments total allocation the District Health Services will continue to be the Department's priority programme for the 2011/12 financial year. The allocation for this programme will increase by R1.07 billion from the 2010/11 adjusted appropriation of R5.95 billion to R7.01 Billion. This is a substantial real increase of 12.66% from the 2010/11 adjusted appropriation. When compared to the revised estimate for 2010/11 of R6.14 billion this is still a substantial increase of 9.14% in real terms (see Table 2).

As with the Department's global budget, the most significant increase by economic classification for this programme will go towards the compensation of employees. For the year under review the allocation for the payment of salaries and benefits will increase from and adjusted appropriation of R2.78 billion to R3.52 billion for 2011/12. This represents a significant real increase of 21.10%. Even when compared to the revised estimate—which reveals that the Department expects to overspend on the compensation of employees in this programme by R355 million by the end of 2010/11—this is still a real increase of 12.40%.[32]

Based on information contained within the Budget Statement, these increases will be used primarily to mitigate the higher than inflation increases to salaries and benefits.[33] There is also no indication in any of the budget documentation that there will be a significant increase in the number of funded posts available to the DHS programme.

---

[31]Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 138

[32] Ibid*,* p. 139

[33] Ibid, p.140

The allocation for goods and services for this programme will increase by R108 million or 4.2% against the adjusted appropriation for 2010/11. When measured against the revised estimate this is an increase of R271 million or 11.44% in real terms against what the Department estimates it will have spent by the end of the 2010/11 financial year.

The fact that the increase in this allocation is higher when measured against the revised estimate than it is against the adjusted appropriation highlights the fact that this programme did not spend R163 million of what was available to it for the purchase of goods and services in 2010/11. Based on information contained within the Budget Statement, some of this underspending is due to a number of savings totaling R143million relating to expenditure on administration, advertising and the catering of departmental functions.[34]

Another positive aspect of the goods and services allocation is that the portion of the allocation used for medical supplies—which includes medicines and other medical consumables such as syringes and bandages—will increase from an adjusted appropriation of R1.28 billion in 2010/11 to R1.74 billion in 2011/12. This is represents a significant nominal increase of 36.18% and a real increase of 30.07%. If we compare this allocation to the revised estimate of R1.59 billion for 2010/11, this represents a real increase of 4.68%.[35]

Of the R1.74 billion allocated for medical consumables for DHS programme in 2011/12, R1.35 billion is allocated specifically for the purchase of medicines. Worryingly, this is R11.47 million less than the R 1.36 billion Department estimates it will have spent on medicines by the end of the 2010/11 financial year. This is troubling since Department plans to expand and enhance the delivery of primary health care, a process which is heavily dependant on the provision of medicines.[36] The Depratment must ensure that any cost savings in other allocations within the goods and services budget are used to purchase medicines.

The budget for capital assets shows the most notable change for the 2011/12 financial year. The allocation for the purchase and maintenance of the capital assets for this programme will increase from an adjusted appropriation R65 million in 2010/11 to R 149 million in 2011/12. This is an increase of R84 million, or 120% in real terms against the adjusted appropriation. Against the revised estimate of R64 million this is a real increase of 132.32%.[37]

In addition to the allocation for capital assets which this programme receives, there are additional allocations for community health facilities and district hospitals which are administered through the Health Facilities Management programme (programme 8). These funds are used to pay for services and infrastructure delivered by the Department of Infrastructure Development (DID) and will be used, in conjunction with the programme's own capital assets allocations, to build new facilities as well as upgrade and maintain existing facilities.[38]

---

[34] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 138

[35] Ibid, p.138

[36] Ibid, p.138

[37] Ibid, p.138

[38] Ibid, p.152

The allocations for infrastructure that will be managed by the Health Facilities management programme will total R729 million For 2011/12 financial year. This is R131 million (15.26%) less than was allocated in the adjusted appropriation for 2010/11 and R33 million (4.42%) less than the Department expects it will have spent by the end of that financial year.[39]

If we combine allocations for infrastructure from this programme's equitable share allocation for capital assets with allocations for infrastructure administered through the Health Facilities management programme, allocations for district health infrastructure will total R878 million. This is R46 million (9% in real terms) less than was allocated for District Health infrastructure in the adjusted appropriations budget in 2010/11 but R51 million (1% in real terms) more than the Department estimates it will have spent on District Health infrastructure by the end of that year.

This is small real increase in the budget for infrastructure against what was spent last year. This means that the Department must take precautions in its infrastructure expenditure to ensure that no funds are lost through delays in projects and the mismanagement of funds. Adequate infrastructure remains a key element of primary health care delivery and should be adequately resourced.

Table 3: District Health Services Budget by Programme[40]

Sub-Programme (R ' 000)	Outcome						Medium-term estimate				% Real Change between 2010/11 and 2011/12	% Real Change Against Revised Estimate	% Real Average Growth over MTEF
	Audited 2007/08	Audited 2008/09	Audited 2009/10	Main Appropriation 2010/11	Adjusted Appropriation 2010/11	Revised estimate 2010/11	2011/12	% Change from Adjusted Appropriation 2010/11	2012/13	2013/14			
1. District Management	272 404	365 960	301 204	333 851	338 851	338 851	**368 461**	8,74	441 278	426 523	3,86	3,86	1,57
2. Community Health Clinics	708 251	755 686	1 103 489	1 255 506	1 268 656	1 137 893	**1 424 292**	12,27	1 589 144	1 516 938	7,23	19,55	-1,21
3. Community Health Centres	526 727	707 375	785 319	777 667	789 167	908 347	**1 045 513**	32,48	1 182 676	1 332 754	26,54	9,93	4,89
4. Community Based Services	333 274	402 065	598 985	732 626	747 148	782 067	**669 166**	-10,44	785 208	840 998	-14,46	-18,28	4,40
5. HIV/AIDS	579 962	707 131	1 037 276	1 512 782	1 516 782	1 516 782	**1 912 390**	26,08	2 417 845	2 910 468	20,42	20,42	11,27
6. Nutrition	28 072	23 496	30 799	39 010	39 010	32 340	**41 210**	5,64	43 270	45 650	0,90	21,71	0,09
7. Coroner Services	83 135	80 836	89 468	105 789	108 789	104 488	**136 905**	25,84	146 144	122 532	20,20	25,14	-6,77
8. District Hospitals	756 364	877 445	1 056 489	1 116 496	1 138 681	1 317 986	**1 416 914**	24,43	1 570 498	1 811 156	18,85	2,68	4,99
Total Payments and Estimates	3 288 189	3 919 994	5 003 029	5 873 727	5 947 084	6 138 754	**7 014 851**	17,95	8 176 063	9 007 019	12,66	9,14	5,14

As Table 3 reveals, increases to the District Health Services budget will not be spread evenly between the programme's various sub-programmes. Priority sub-programmes such as Community Health Clinics, Community Health Centers, HIV/AIDS and District Hospitals will receive significant real increases against the adjusted appropriation of 7.23%, 26.54%, 20.42%, and 20.20% respectively. These increases give some credibility to the Department's claims that it will continue to strengthen its capacity to deliver primary health care.

Of particular importance in this regard is the R396 million increase for the provision of HIV and AIDS services at the district level. This is a real increase of 20.42% against both the adjusted appropriation and revised estimate from 2010/11. This increase should provide sufficient financial resources to fund the expansion of the HIV and AIDS programme at this level. This is in-line with both national and provincial commitments to brining services closer to the people who need them most.

---

[39] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 152

[40] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 138

One area of concern in terms of funding associated with the delivery of HIV and AIDS related services is that the allocations for Community Based Services will decrease by 14.46% and 18.28% in real terms against the adjusted appropriation and revised estimate respectively (see Table 3).

The significant increases to key allocations are further tempered somewhat by the Department's perennial inability to use the resources available for the delivery of services relating to HIV and AIDS efficiently and effectively. The provincial IST report[41] indicates that while there has been good leadership with regard to the HIV and AIDS, the programme has been compromised somewhat by a fragmented district health system, shortages of key personnel, an inefficient supply chain management system and weaknesses in the delivery of primary health care more generally. Therefore, even though access to financial resources for HIV and AIDS has greatly improved over the last few years, endemic weaknesses in the implementation of the programme and the delivery of primary health care will continue to result in the inefficient use of what is available.

These concerns extend to the DHS programme more generally and the AG continues to highlight weaknesses in the management of resources and the delivery of services that result in the misuse of a significant portion of the budget. Any increases to programme budgets must therefore be met with a concurrent improvement in the Department's capacity to manage and use those resources.

II. Central Hospital Services

For the 2011/12 financial year the budget for the Central Hospital Services Programme, which is responsible for the functioning of tertiary and academic hospitals such as the Charlotte Maxeke and Helen Joseph hospitals, will be R6.49 billion. This is an increase of R732 million or 7.66% in real terms against the adjusted appropriation for 2010/11. When compared with the revised estimate for 2010/11 this is a small increase of R84 million. When inflation is taken into account, however, this actually represents a decrease of 3.23% in real terms (see Table 2).

The allocation for the compensation of employees for this programme in 2011/12 will be R4.69 billion. This means that this line-item will increase significantly by R1.01 billion or 23.42% in real terms on the adjusted appropriation for 2010/11. Even when measured against the Revised Estimate of R4.13 billion for 2010/11, this still represents a real increase of 5.80%. According to the Department these increases are being made to cater for the "implementation of the OSD for doctors, obstetrics and pediatrics and personnel inflationary adjustments including overtime".[42]

In contrast the allocation for goods and services for this programme will decrease from R1.91 billion in 2010/11 to R 1.68 billion in 2011/12. This despite the fact that the department estimates that it will have overspent on this budget item by R253 million by the end of this financial year. If we measure the decrease against the revised estimate of R2.16 billion for 2010/11, the budget for goods and services in 2011/12 will be 22% less than estimated expenditure for 2010/11. Once inflation is taken into account the difference increases to about 26%.[43]

The explanation the Department provides for this is that the "budget decrease in goods and services is mainly due to the provision made for the optimal increase in compensation of employees for health professionals".[44] This statement most clearly highlights the impact of

---

[41] Gauteng Department of Health, *Report of the Integrated Support Team 2009*

[42] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 146

[43] Ibid, p. 146

[44] Ibid, p. 147

increasing employee costs within the Department. This suggests that Decreases in allocations for items such as medicines and medical supplies are not due to cost savings or improved system efficiencies, but rather to make up for shortfalls in other areas. This will either mean further overspending on the goods and services budget or that these hospitals will have to cutback on medicines and medical supplies.

Any possibility of that the hospitals will have to ration medicines and medical supplies is unconscionable and will have dire consequences for service delivery at these facilities. There is already some indication that shortages of basic medical consumables and supplies have contributed to these hospitals being unable to deliver an adequate level of care. For example, a report into the deaths of 6 infants within 24 hours in the neonatal ward of the Charlotte Maxeke Hospital in 2010[45] found that in addition to overcrowding, the shortage of basic supplies such as antiseptic sprays and roller towels contributed to inadequate infection control in the ward. This allowed a norovirus to spread rapidly through the ward resulting in the deaths of the babies due to diarrhoea.

The budget for infrastructure for the Central Hospital Services Programme, which is managed largely through the Health Facilities Management programme (Programme 8), will decrease significantly from an adjusted appropriation in 2010/11 of R509 million to R352 million in 2011/12. This is a decrease against the adjusted appropriation of R157 million or 33.96% in real terms. Against the revised estimate of R422 million for 2010/11, this is a decrease of R70 million or 20.30% in real terms.[46]

The Department suggests that this is due to the fact that no new infrastructure projects will be initiated in the 2011/12 financial year and all resources allocated for infrastructure projects will go towards completing existing multi-year projects, refurbishment of existing facilities and maintenance.[47]

III. Provincial Hospital Services

The budget for the Provincial Hospital Serivices Programme, which is responsible for all general hospitals as well as specialized Tuberculosis (TB), dental training and psychiatric facilities, will increase from an adjusted appropriation of R4.64 billion in 2010/11 to R4.98 billion for 2011/12. This is an increase of R342 million or 2.55% in real terms (see Table 4 overleaf).

---

[45] The report is available at *www.section27.org.za/wp-content/uploads/2011/01/**baby_deaths_report.pdf***

[46] Gauteng Provincial Government, *Estimates of Provincial Expenditure 2011/12,* p. 146

[47] Gauteng Provincial Government. *Estimates of Capital Expenditure 2011/12*. P. 138.

Table 4: Provincial Hospital Services[48]

Sub-Programme (R ' 000)	Outcome						Medium-term estimate						
	Audited 2007/08	Audited 2008/09	Audited 2009/10	Main Appropriation 2010/11	Adjusted Appropriation 2010/11	Revised estimate 2010/11	2011/12	% Change from Adjusted Appropriation 2010/11	2012/13	2013/14	% Real Change between 2010/11 and 2011/12	% Real Change Against Revised Estimate 2010/11	% Real Average Growth over MTEF
1. General Hospitals	2 555 516	2 963 812	3 428 310	3 351 189	3 385 601	3 973 093	**3 659 142**	8,08	4 039 438	4 437 862	3,23	-7,90	6,64
2. Tuberculosis Hospitals		155 386	193 113	314 224	317 899	168 296	**299 468**	-5,80	323 079	342 001	-10,03	77,94	4,53
3. Psychiatric Hospitals	484 210	559 509	614 812	632 313	652 764	739 495	**696 777**	6,74	767 799	890 366	1,95	-5,78	8,52
4. Dental Training Hospitals	160 602	170 167	215 694	230 045	244 436	258 931	**289 008**	18,23	316 587	397 644	12,93	11,62	11,22
5. Other Specialised Hospitals	135 992	23 902	35 759	36 881	41 771	40 712	**40 350**	-3,40	47 255	49 854	-7,74	-0,89	7,30
Total Payments and Estimates	3 336 320	3 872 776	4 487 688	4 564 652	4 642 471	5 180 527	**4 984 745**	7,37	5 494 158	6 117 727	2,55	-3,78	7,07

When the allocation for this programme for 2011/12 is compared to the revised estimate, however, the allocation for the year under review actually decreases by R196 million or 3.78% in real terms. The estimated overspending of R538 million on this programmes adjusted appropriation for 2010/11 is largely due to overspending of R587 million, R87million and R15 million on the General Hospitals, Psychiatric Hospitals and Dental Training Hospitals sub-programmes respectively.

This is in contrast to the substantial under spending in the Tuberculosis Hospitals sub-programme, which only managed to spend R168 million (53%) of the R317 million available to it in 2010/11. For the 2011/12 financial year this sub-programme will receive an allocation of R300 million. This is R17 million, or 10% in real terms, less than was available to it the previous year. (see table 4) The Department does not provide a clear explanation for the decrease in allocation for this sub-programme in any of its budget documentation. The only possible explanation that could be taken from information that is available is that the Department intends to close the Tshepong, Dr. Charles Hurwitz and East Rand and patients will be integrated into district hospitals.[49]

The Decision to close these hospitals and integrate these patients into district hospitals is troubling because there is no clear indication that provision has been made accommodate the patients in isolation wards at these facilities or if the district hospitals have staff trained in the management of TB. TB is a leading cause of hospital admissions in the province and one of the leading causes of mortality.[50] It is imperative that the Department community additional resources to ensuring that patients receive the best possible quality of care.

Conclusion

Based on this analysis of the Gauteng health budget it can be said that for the 2011/12 financial years key service delivery areas will face a shortage of funding. This is largely due to the higher than inflation increases in employee as well as goods and services costs that have not been met with appropriate increases in allocations. This is partially due to a constrained funding environment but also because the Treasury refuses to provide additional resources to provinces that fail to manage their finances properly.

---

[48] Ibid, p. 145

[49] Ibid, p. 144

[50] Statistics South Africa, *Mortality and the Causes of Death in South Africa 2010*. Available at *www.**statssa**.gov.za/publications/P03093/P030932008.pdf*

This state of affairs will continue to spiral out of control unless decisive action is taken. While this may not necessarily include a bailout from Treasury there is a need for Treasury to provide appropriate assistance to the Department in order to ensure that public finance management systems are functioning, as they should. The Department must then also ensure that it accounts for the use of its resources and continues to implement those austerity measures that do not result in the cutting back of health care services. A failure to resolve these issues will result in deteriorating health outcomes and ultimately unnecessary morbidity and mortality.