

Induction Workshop

Select Committees on Appropriations

Presenter: Malijeng Ngqaleni – Intergovernmental Relations Division – National Treasury – 11 March 2020



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Outline

National Treasury's Intergovernmental Relations division works with the Select Committee on Appropriations on two main areas:

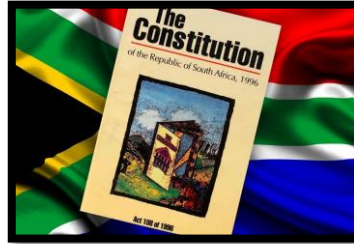
1. **Legislation for the Division of Revenue**

- Division of Revenue Bill
- Division of Revenue Amendment Bill
- Proposed changes to provincial and municipal transfers are tabled in the in the MTBPS

2. **Monitoring the financial performance of provinces and municipalities**

- Additional information requested
- Planned improvements

The legislative basis of the National Treasury



The mandate of the NT is derived from sections 215 and 216 of the Constitution (it is not inferred or implied responsibility but direct one)

National Treasury achieves its Constitutional obligations through:

Primary legislation

- PFMA
- MFMA
- Municipal Fiscal Powers and Functions Act
- Annual Division of Revenue Act
- Intergovernmental Fiscal Relations Act

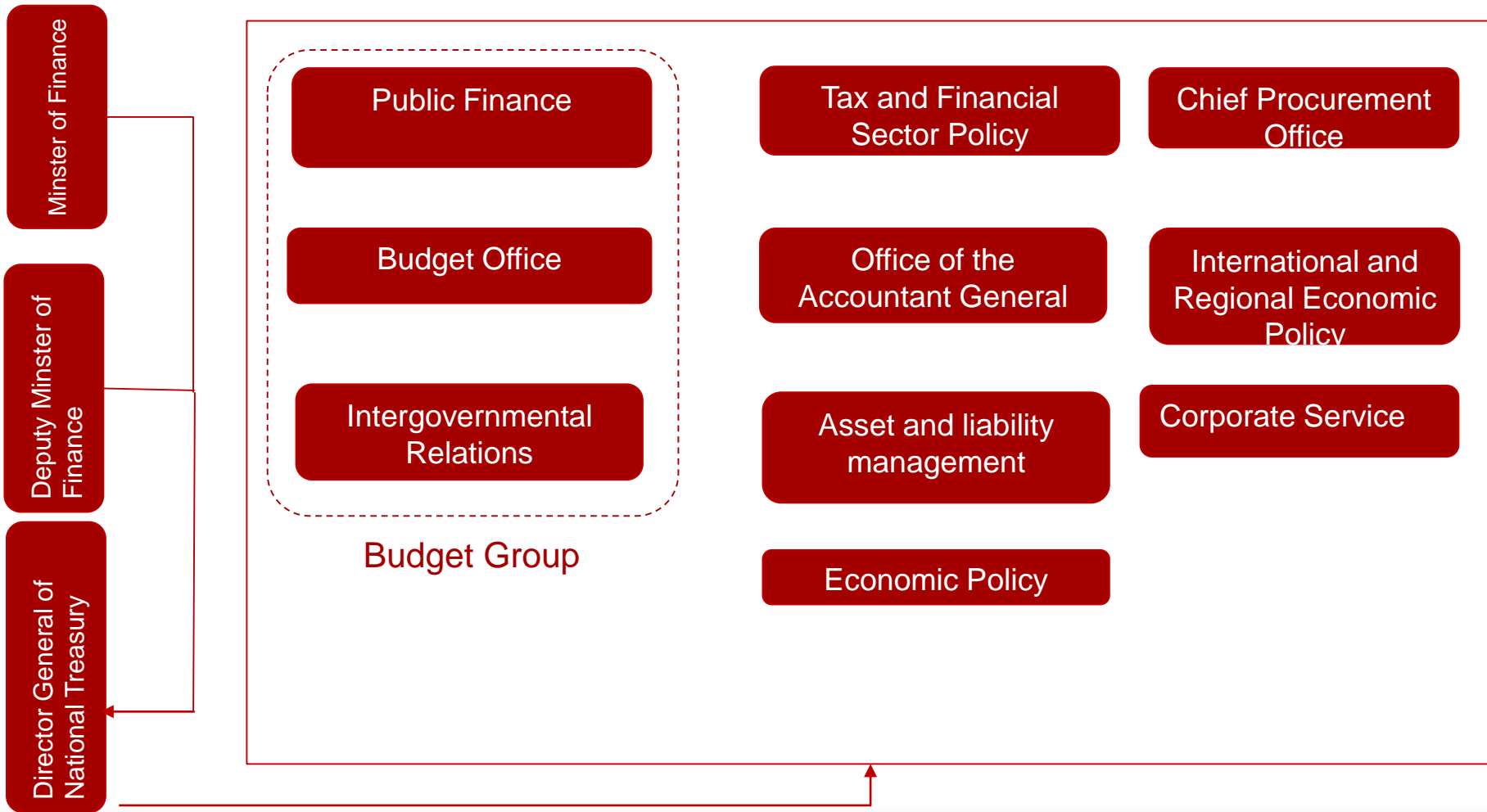
Secondary Legislation

- Treasury Regulations
- Treasury Instructions

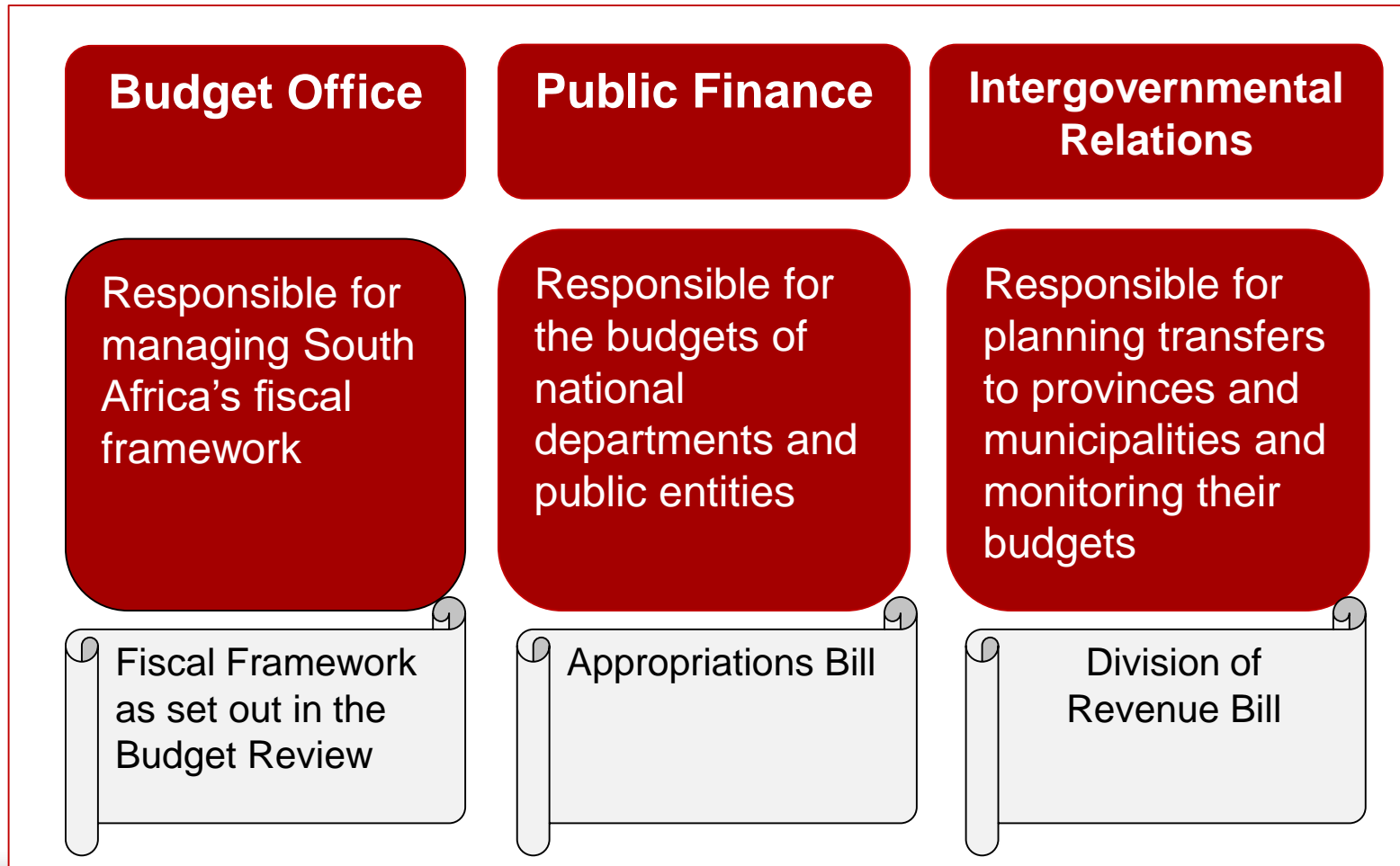
Other

- Circulars
- Guidelines
- Tools
- Engagements
- Capacity Building

National Treasury organogram



Budget Group structure within National Treasury



Legislation for the Division of Revenue



national treasury

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How is the Division of Revenue determined?

National departments



Police and justice, higher education, social grants

Provincial governments



Basic education, health, social development

Municipalities



Basic services (water, sanitation, electricity, refuse removal)

National departments

Fully funded from national revenue

Provincial governments

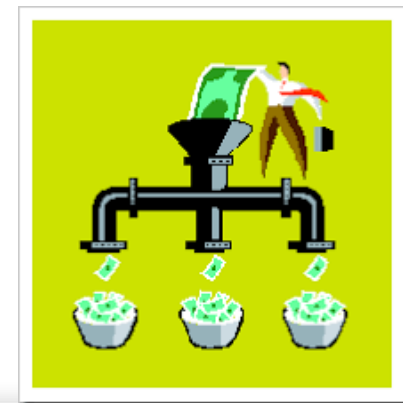
Limited other revenue (vehicle and gambling licenses)
Mostly funded through transfers from fiscus

Municipalities

Substantial other revenue (Property rates, service charges)
Also receives funding from fiscus

The share of national revenue allocated to each sphere is based on:

- The functions performed by the spheres (as set out in the Constitution):
- **Other sources of revenue available to fund these functions:**
- The Constitution (S228 & S229) reserves the most significant revenue sources for NG: income tax, VAT, customs duties
- Nationally raised revenue shared between national, provincial and local spheres based on functional allocations and own sources at their disposal
- The Division of Revenue (vertical division) is determined politically through various consultation structures



Consultation process before the Division of Revenue Bill is tabled (*summarised*)

 **Parliamentary Recommendations**

 **FFC Recommendations**

Mandate Paper



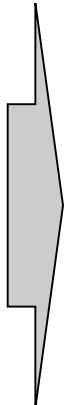
Technical meetings

Meetings with national sector departments

Function groups
Discussion across programmes delivering related functions

Intergovernmental Technical Committees
National Treasury and Provincial Treasury officials and SALGA officials

MinComBud Technical Committee
Senior officials from center of govt. departments



Political-level meetings

Budget Council
Finance Minister & Finance MECs








PROVINCE OF KWAZULU-NATAL
ISIFUNDAZWE SAKWAZULU-NATALI





Budget Forum
Budget Council members plus



Ministers' Committee on the Budget

Extended Cabinet



MTBPS tabled in October - Includes proposed DoR and substantial changes to grants

Parliamentary hearings and recommendations on the MTBPS



MinComBud, Budget Council, Budget Forum and Cabinet consider post-MTBPS changes



Division of Revenue Bill tabled on Budget Day in February

Draft Division of Revenue Tabled in the Medium Term Budget Policy Statement (MTBPS)

- Section 6 of the Money Bills and Related Matters Act (2009, as amended) requires that the MTBPS include the following with relation to the Division of Revenue:
 - *“the proposed division of revenue between the spheres of government for the next three financial years;*
 - *the proposed substantial adjustments to conditional grant allocations to provinces and municipalities, if any; and*
 - *a review of actual spending by each national department and each provincial government between 1 April and 30 September of the financial year in which the statement is tabled.”*
- This gives Parliament an opportunity to consider proposed changes to the Division of Revenue and make recommendations on these proposed changes before the Executive finalises the Division of Revenue Bill
 - These recommendations are formally responded to in Annexure A of the Budget Review

Contents of the Division of Revenue Bill

REPUBLIC OF SOUTH AFRICA

DIVISION OF REVENUE BILL

(As introduced in the National Assembly (proposed section 76); explanatory summary of Bill and prior notice of its introduction published in Government Gazette No. 42217 of 8 February 2019)
(The English text is the official text of the Bill)

(MINISTER OF FINANCE)

- The Constitution and IGFR Act require an annual Division of Revenue (DoR) Bill
- Allocations to provinces and municipalities (equitable share, conditional grants, and grants-in-kind) contained in the annual Division of Revenue Bill
- The DoR and supporting documents tabled in Parliament on Budget Day
- Parliamentary hearings on DoRB, approval by NA and NCOP, then referred to President for assent

What's in the Division of Revenue Bill

- Division of Revenue Bill clauses
- Schedules show the allocations
 1. Equitable division of revenue among 3 spheres of government
 2. Each province's equitable share
 3. Each municipality's equitable share
 4. Supplementary conditional grants to provinces and municipalities
 5. Specific purpose allocations to provinces and municipalities
 6. Grant-in-kind (or indirect) grants to provinces and municipalities
 7. Provision to specifically cater for immediate release of funds to provinces and municipalities for disaster response

This forms part of Act once enacted

- Annexure W1: Explanatory memorandum

Falls away (but remains on NT website)

- W2 and W3: Conditional grant frameworks
- Annexures W4-W7: allocations per municipality
- Appendixes: Further details of grants (including breakdown of components within grants)

Given legal force through Gazette i.t.o. s16(1)

Bill clauses

- Clauses contain the rules governing the transfer and use of DoR funds
- Most clauses remain the same each year
 - Changes are made to account for policy changes and technical refinements
- Clauses of Bill/Act:
 - Clauses 1 and 2: definitions and objects of the Act
 - Clauses 3 - 6: govern equitable share allocations
 - Clauses 7 and 8: provide for conditional grants
 - Clauses 9 and 10: duties of **transferring officers** (national sector departments)
 - Clauses 11 and 12: duties of **receiving officers** (provinces and municipalities)
 - Clauses 13 and 14: specific infrastructure grant requirements
 - Clause 15: Annual Financial Statement requirements
 - Clauses 16 and 17: publication of frameworks and adherence to **conditions**
 - Clauses 18 – 20: **withholding, stopping and reallocation**
 - Clause 21: regulates conversion of allocations and unspent funds
 - Clauses 23 – 26: payment schedules, recovery of erroneous transfers, disaster relief
 - Clauses 27 and 28: Preparations for 2021/22
 - Clauses 29 – 31: duties of municipalities, provincial treasuries and National Treasury
 - Clauses 32 – 39: general matters, including delegations, cooperative governance, dealing with irregular expenditure, regulations, repeal of past DoR Acts, short title.

Schedules to the Bill (1 of 2)

- Funds allocated through DoRB are shown in the schedules of the Bill
- Schedules show allocations to each individual province for their equitable share and conditional grants and allocations to each municipality for the equitable share
- Each sphere's share of the DOR is then appropriated in their respective budgets:
 - National (Appropriations Act)
 - 9 provincial budgets
 - 257 municipal budgets

SCHEDULE 1

EQUITABLE DIVISION OF REVENUE RAISED NATIONALLY AMONG THE THREE SPHERES OF GOVERNMENT

Spheres of Government	Column A	Column B	
	2019/20	Forward Estimates	
		2020/21	2021/22
	R'000	R'000	R'000
National ^{1,2}	1 084 180 207	1 150 974 279	1 239 678 123
Provincial	505 553 753	542 908 577	578 645 170
Local	68 973 465	75 683 326	82 161 819
TOTAL	1 658 707 425	1 769 566 182	1 900 485 112

1. National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations

2. The direct charges for the provincial equitable share are netted out

**Allocations for first year are enacted
(once Bill is enacted)**

Allocations for 2nd and 3rd years are indicative only

Schedules to the Bill (2 of 2)

- **Schedules 1 - 3** contain the equitable shares for the three spheres
- The remaining 4 schedules contain different types of conditional grants. Each of these schedules includes a
 - Part A for provinces; and
 - Part B for local government
- **Schedule 4** grants supplement various programmes partly funded by provinces/municipalities
- **Schedule 5** grants fund specific responsibilities and programmes implemented by provinces/municipalities
- **Schedule 6** grants provide in-kind allocations through which a national implements projects within provinces/municipalities (also known as indirect grants)
- **Schedule 7** provides for the swift allocation and transfer of funds to a province to help it deal with a disaster or housing emergency

W1: Explanatory Memorandum to the division of revenue

Explains the policy imperatives behind the rules and allocations in the rest of the bill which includes:

- Part 1: Constitutional considerations in determining division between national, provincial and local government
- Part 2: Description of division of revenue over MTEF
- Part 3: Government's response to the recommendations of FFC on DoR
- Part 4: Detailed description of provincial allocations
- Part 5: Detailed description of local government allocations and
- Part 6: Issues and research that will inform the division of revenue in future years

The explanatory memorandum to the division of revenue is also an annexure to the Budget Review

W1

W1: MTEF Division of Revenue

(as presented in the explanatory memorandum)

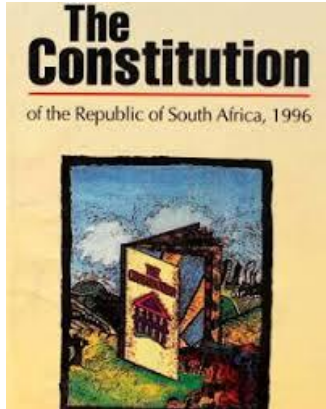
- The proposed division of revenue between the spheres of government and between arms of government within a sphere for the next three years
- Main policy considerations are discussed in the Budget Review

Table W1.2 Division of nationally raised revenue

R million	2015/16	2016/17 Outcome	2017/18	2018/19 Revised estimate	2019/20 Medium-term estimates	2020/21	2012/22
Division of available funds							
National departments	546 065	555 739	592 686	638 170	684 735	733 128	777 674
<i>of which:</i>							
<i>Indirect transfers to province:</i>	3 458	3 636	3 813	4 730	4 561	4 980	5 675
<i>Indirect transfers to local government</i>	10 370	8 112	7 803	7 887	7 208	7 109	8 167
Provinces	471 424	500 384	538 553	572 212	612 266	657 115	701 000
Equitable share	386 500	410 699	441 331	470 287	505 554	542 909	578 645
Conditional grants	84 924	89 685	97 222	101 925	106 712	114 206	122 355
Local government	98 338	102 867	111 103	117 258	127 289	137 881	149 498
Equitable share	49 367	50 709	55 614	60 518	68 973	75 683	82 162
Conditional grants	38 313	40 934	43 704	44 271	45 149	48 171	52 154
General fuel levy sharing with metros	10 659	11 224	11 785	12 469	13 167	14 027	15 182
Provisional allocation not assigned to votes	–	–	–	–	19 210	11 376	18 904
Non-interest allocations	1 115 827	1 158 990	1 242 341	1 327 640	1 443 500	1 539 500	1 647 077
<i>Percentage increase</i>	9.7%	3.9%	7.2%	6.9%	8.7%	6.7%	7.0%
Debt-service costs	128 796	146 497	162 645	182 218	202 208	224 066	247 408
Contingency reserves	–	–	–	–	13 000	6 000	6 000
Main budget expenditure	1 244 623	1 305 486	1 404 986	1 509 858	1 658 707	1 769 566	1 900 485
<i>Percentage increase</i>	10.0%	4.9%	7.6%	7.5%	9.9%	6.7%	7.4%
<i>Percentage shares</i>							
<i>National departments</i>	48.9%	48.0%	47.7%	48.1%	48.1%	48.0%	47.8%
<i>Provinces</i>	42.2%	43.2%	43.3%	43.1%	43.0%	43.0%	43.1%
<i>Local government</i>	8.8%	8.9%	8.9%	8.8%	8.9%	9.0%	9.2%

Source: National Treasury

W1: DoRA is based on parameters set in the Constitution & takes account of FFC and Parliamentary recommendations



- The Constitution requires an annual Division of Revenue Bill/Act and prescribes factors to be taken into account in determining the DOR (Section 214)
- Part 1 of the Explanatory Memorandum (Annexure W1 to the Bill) explains how DoRA takes account of these factors
- DORA is also consistent with the requirements of the Intergovernmental Fiscal Relations act and the Money Bills and Related Matters Act
- Part 3 of the Explanatory Memorandum provides government's response to FFC recommendations on the DoR
- Parliament's recommendations on the MTBPS and DoR Amendment Bill are printed in Annexure A of the Budget Review

W1: Detailed account of how equitable shares are determined

- Explains how each province's share of the provincial equitable share is determined
- Data used in the formula is presented (e.g. number of learners per province)

Table W1.10 Impact of changes in school enrolment on the education component share

	Age cohort 5 – 17	School enrolment		Changes in enrolment	Weighted average		Difference in weighted average
		2017	2018		2018 MTEF	2019 MTEF	
Eastern Cape	1 859 255	1 902 213	1 881 735	-20 478	14.9%	14.5%	-0.38%
Free State	679 935	691 295	696 021	4 725	5.3%	5.3%	0.04%
Gauteng	2 458 767	2 342 025	2 360 207	18 182	18.1%	18.7%	0.60%
Kw aZulu-Natal	2 825 362	2 868 598	2 851 861	-16 737	22.3%	22.0%	-0.27%
Limpopo	1 566 223	1 768 125	1 753 297	-14 829	13.1%	12.9%	-0.22%
Mpumalanga	1 087 924	1 080 084	1 068 624	-11 461	8.4%	8.4%	-0.03%
Northern Cape	294 073	291 760	292 800	1 040	2.3%	2.3%	-0.02%
North West	880 695	827 628	831 886	4 258	6.5%	6.6%	0.15%
Western Cape	1 251 254	1 117 468	1 125 331	7 863	9.1%	9.2%	0.12%
Total	12 903 488	12 889 196	12 861 760	-27 436	100.0%	100.0%	-

Source: National Treasury

How the provincial Equitable Share (PES) formula works

- The Provincial Equitable Share is allocated through a formula with six components
- The data used is updated annually to reflect changes in relative demand for public services across provinces
- There are two main types of data sources for the PES formula:
 - Official data from StatsSA and
 - Administrative data from the national departments of Health and Basic Education
- All data updates are reviewed by the Technical Committee on Finance and approved by Budget Council.
- The structure of the formula is currently under review

How the PES formula accounts for demand for services



Education (48%)

Allocated based on:

- School aged population (updated*)
- Enrolled pupils (updated LURITS data from DBE)



Health (27%)

Allocated based on:

- Population without medical aid, adjusted for health risk (updated*)
- Hospital and clinic use (updated DoH data)



Basic Share (16%)

Allocated based on:

- Share of population*



Poverty (3%)

Allocated based on:

- Share of poverty* (IES and mid-year estimates)



Institutional (5%)

Same allocation to each province



Economic activity (1%)

Based on share of GDP-R (updated StatsSA data)

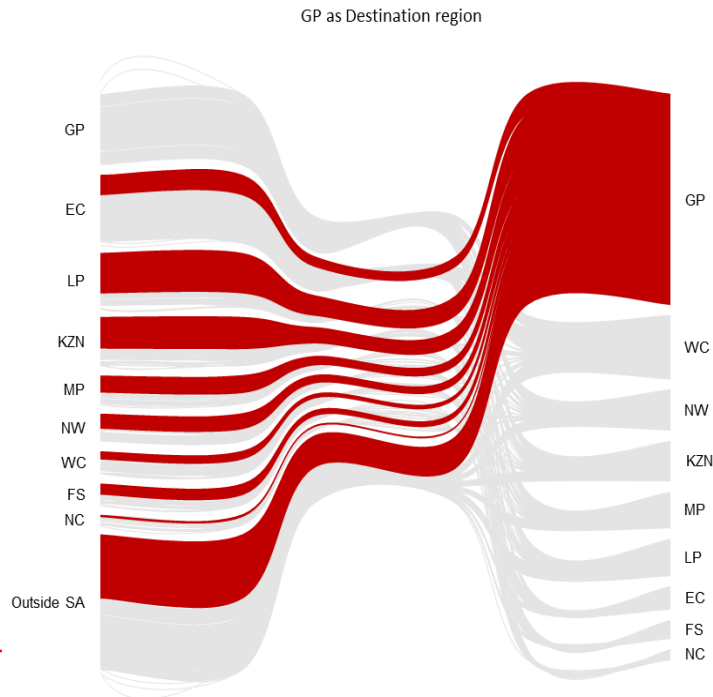
* Updated with data from StatsSA's mid-year population estimates

Annual data updates to the PES formula

- SA has fast population growth and significant migration (typical of a developing country). This leads to changes in the demand for services in different regions
- Data that informs PES allocations is updated annually with the most recent data
- New data is phased-in over 3 years to allow time to adapt to funding changes

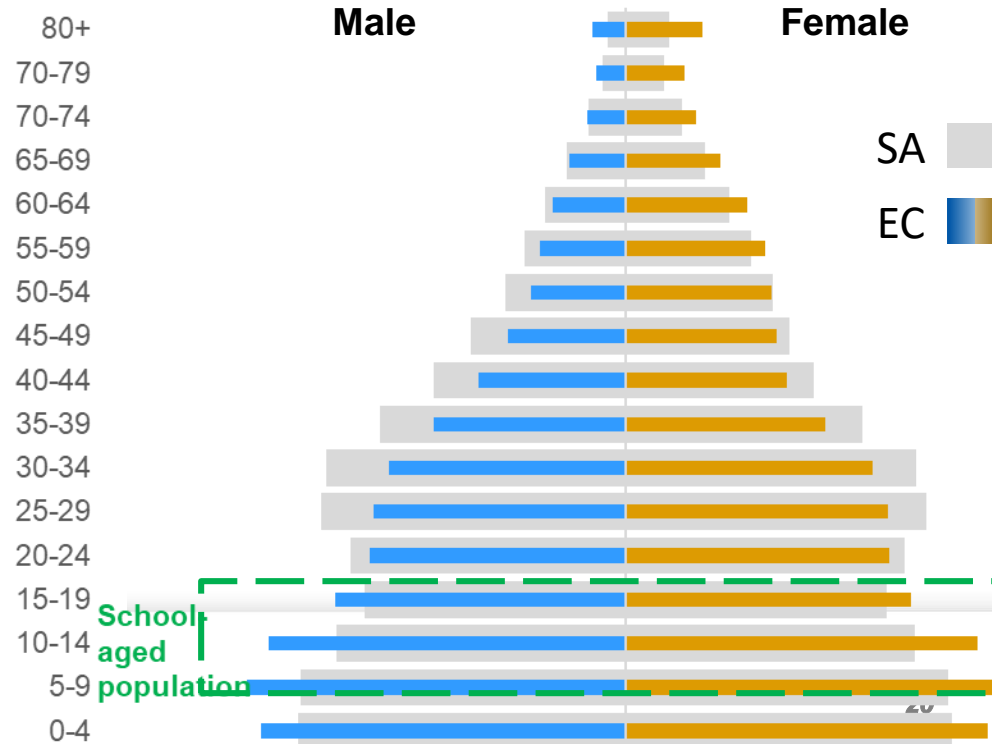
Migration flows

Example of migration to Gauteng



Age-structure of the population

Example comparing SA to the Eastern Cape



W1: How the local government equitable share formula works

LGES Formula ensures larger allocations for poor municipalities

Formula has two main parts:

- Part 1:
 - Basic services component funds the delivery of free basic services and accounts for most of the funds allocated
- Part 2:
 - This part directs greater funds towards municipalities that cannot raise substantial own revenues
 - Institutional component funds admin costs
 - Community services component funds general municipal services

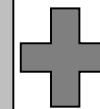
Municipalities must still budget for how funds will be used

How the LG equitable share formula works



Free basic services R54.1 billion

R435.03 per month for a package of free basic services for the 58% of SA households with an income of less than 2 old age pensions per month



Institutional
R5.6 billion to assist with administration costs

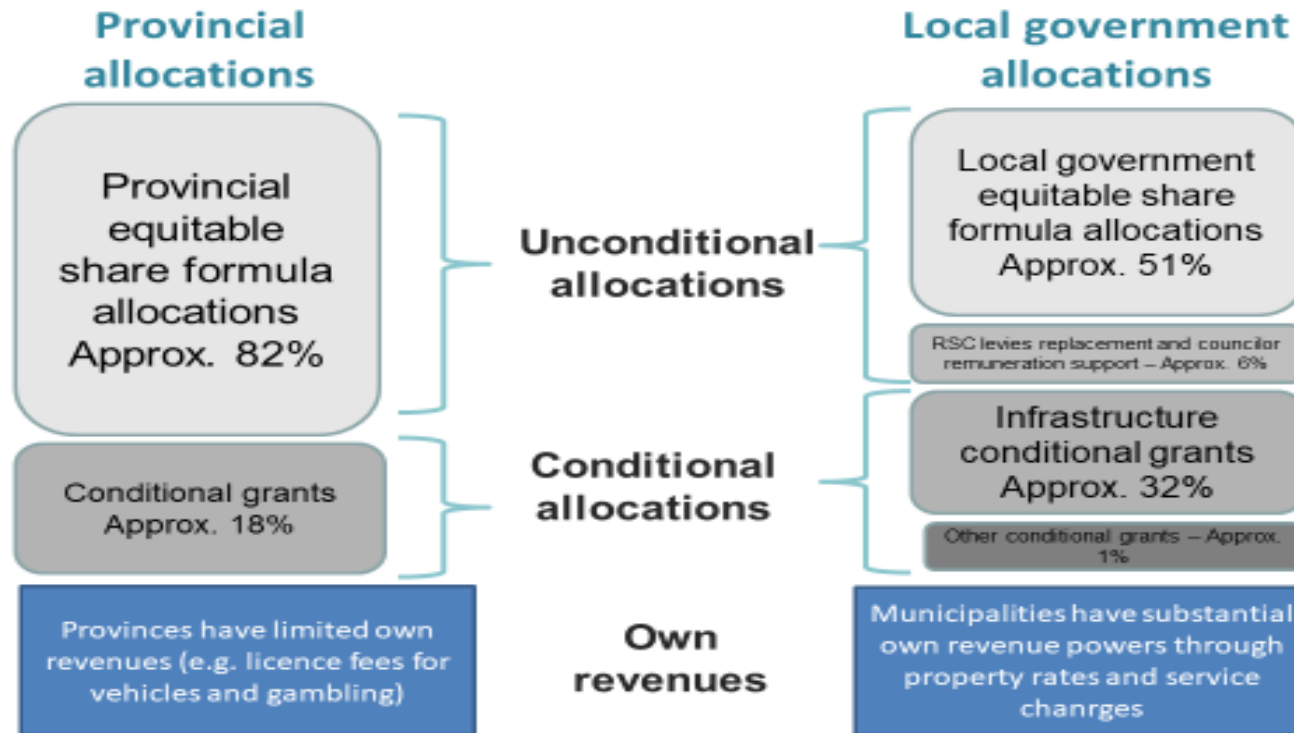
Community Services
R8.4 billion to fund community services

These funds are only allocated to poorer municipalities (some cities can fund these from own revenues)

Government also allocates nearly R1 billion per year to subsidise the cost of councillor remuneration and ward committee stipends in poor municipalities (for grade 1-3 municipalities)

W1: Information on allocations and conditional grants

- W1 also any changes to the structure of provincial and local government allocations in more detail than in Chapter 6 of the Budget Review



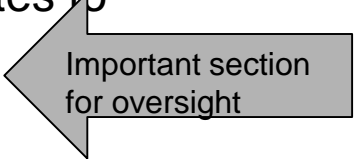
- For each conditional grant there is a description of the purpose of each grant, any changes to the grant in this year's budget and allocations over the MTEF
- Part 6 also sets out planned work towards future reforms

Annexures W2 and W3: Conditional grant frameworks

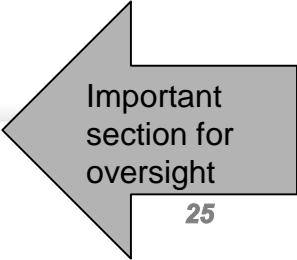
- Conditional grants are transfers to provinces to fund several large (and some smaller) functions.
- Conditions for the use of each grant are set out in a framework (gazetted in terms of s16 of DoRA)
- They are administered by a national department that is responsible for monitoring performance and adherence to the grant rules gazetted in terms of the Division of Revenue Act.
- National Treasury monitors financial performance of conditional grants
- Some grants are designed to fully fund a function and others to supplement provincial/municipal funding.
- If there is non-compliance or underspending in conditional grants funds can be:
 - Withheld
 - Stopped
 - Reallocated

Conditional grant frameworks

- Each conditional grant has a framework that lists:
 - The Transferring department
 - Grant schedule
 - Strategic goal of the grant
 - Purpose of the grant
 - Outcomes
 - Outputs
 - Priority outcome(s) of government the grant primarily contributes to
 - Details contained in the business plan
 - Conditions (these include rules for how funds may be used)
 - Allocation criteria
 - Reason funds are not incorporated into the equitable share
 - Past performance
 - Projected life of the grant
 - MTEF allocations
 - Responsibilities of transferring national officer and receiving officer
 - Process for approval of business plans for the next financial year



Important section
for oversight



Important
section for
oversight

Example of a conditional grant framework

Extracts from the Maths Science and Technology (MST) Grant framework

Grant purpose

- To provide support and resources to schools, teachers and learners in line with the Curriculum Assessment Policy Statements (CAPS) for the improvement of MST teaching and learning at selected public schools

Examples of conditions

- 40 per cent for repair/replacement and maintenance of workshop machinery, equipment, consumables and tools
- Workshop equipment and machinery items should be repaired, maintained and/or replaced where appropriate in order to meet the minimum specifications defined by the DBE and in line with CAPS

Example of a responsibility of provinces

- Submit school business plans to DBE if funds being transferred to schools, by the end of June every year

Maths, Science and Technology Grant	
Transferring department	Basic Education (Vote 14)
Grant schedule	Schedule 5, Part A
Strategic goal	To strengthen the implementation of the National Development Plan and the Action Plan 2019 by increasing the number of learners taking Mathematics, Science and Technology (MST) subjects, improving the success rates in the subjects and improving teachers' capabilities
Grant purpose	To provide support and resources to schools, teachers and learners in line with the Curriculum Assessment Policy Statements (CAPS) for the improvement of MST teaching and learning at selected public schools
Outcome statements	Improved learner participation and success in MST subjects in the country
Outputs	<ul style="list-style-type: none"> School support Information, communication and technology (ICT) subject specific resources: <ul style="list-style-type: none"> 300 schools supplied, with subject specific computer hardware in accordance with the minimum specifications prescribed by CAPS 300 schools supplied with subject related software in accordance with the minimum specifications Workshop equipment, consumables, tools and machinery: <ul style="list-style-type: none"> 200 technical schools' workshop equipment and consumables for technology subjects required, maintained and/or replaced in accordance with the minimum specifications 200 technical schools' workshop machinery and tools for technology subjects repaired, maintained and replaced in accordance with the minimum specifications Laboratories equipment, apparatus and consumables: <ul style="list-style-type: none"> 1 000 schools supplied with Mathematics and Science kits 1 000 laboratories supplied with apparatus for Mathematics and Science subjects in accordance with the minimum specifications 500 laboratories and workshops supplied with consumables for Mathematics, Science and Technology subjects in accordance with the minimum specifications Learner Support <ul style="list-style-type: none"> 50 000 learners registered for participation in Mathematics, Science and Technology olympiads/fairs/expos and other events based on a structured annual calendar including support through learner camps and additional learning, teaching and support material such as study guides Teacher Support <ul style="list-style-type: none"> 1 500 participants attending specific structured training and orientation for teachers and subject advisers in subject content and teaching methodologies on CAPS for electrical, civil and mechanical technology, technical mathematics, and technical sciences 1 000 teachers and subject advisers attending targeted and structured training in teaching methodologies and subject content either for Mathematics, Physical, Life, Natural and Agricultural Sciences, Technology, Computer Applications Technology, Information Technology, Agricultural Management and Technology subjects
Priority outcome(s) of government that this grant primarily contributes to	Outcome 1: Quality basic education
Details contained in the business plan	<ul style="list-style-type: none"> Outcome indicators Output indicators Inputs Key activities Annual budget and resource allocation schedules Monitoring and reporting Risk management plan Cash flow projections Participating schools list (separate annexure)
Conditions	<p>Grant structure and allocations</p> <ul style="list-style-type: none"> The grant is utilised on an interventional basis and is not a general grant for all schools Schools' needs and allocation of funds must be identified through criteria indicated in the framework in partnership with provinces and districts in the preceding financial period The grant will support a total of 1 000 schools across all provinces covering all MST subjects from grades R-12 <p>The provincial funds allocation should be divided in accordance with the following guideline:</p> <ul style="list-style-type: none"> 5 per cent for ICT resources including training of ICT integration for educators for all provinces 40 per cent for repair/replacement and maintenance of workshop machinery, equipment, consumables and tools <ul style="list-style-type: none"> no less than 36 per cent for repair/replacement and maintenance of workshop machinery, equipment, consumables and tools for Limpopo, Gauteng, KwaZulu-Natal and Eastern Cape 40 per cent for laboratory apparatus and consumables 9 per cent for learner support <ul style="list-style-type: none"> no more than 4 per cent for funding of focused support for programme implementation for Limpopo, Gauteng, KwaZulu-Natal and Eastern Cape 5 per cent for Mathematics, Science and Technology teachers' subject content training

Annexures W4-7 and Appendices: Details of allocations

- Last section of the Bill contains details of allocations
 - These are gazetted after the DoRA is enacted
- These details include:
 - Allocations per municipality for each conditional grant
 - Total allocation per municipality
 - Breakdown of LG equitable share (formula, councillor support and RSC Levies Replacement Grant)
 - Allocations per local municipal area for areas where the district municipality is assigned the water and sanitation function
 - Project lists for Regional Bulk Infrastructure Grant and ring-fenced sport allocations in MIG
 - EPWP grant targets for employment creation
 - Breakdowns of components within provincial grants
 - Indirect grant allocation per province

Example of allocations detail

Question: Does Laingsburg receive an allocation for electrification?

ANNEXURE W5

INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES (SCHEDULE 4, PART B AND SCHEDULE 5, PART B) 1 OF 3

Category	Municipality	Municipal Infrastructure Grant			Regional Bulk Infrastructure Grant			Water Services Infrastructure Grant			Integrated National Electrification Programme Grant (Municipal)			Rural Roads Asset Management Systems Grant		
		National and Municipal Financial Year			National and Municipal Financial Year			National and Municipal Financial Year			National and Municipal Financial Year			National and Municipal Financial Year		
		2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)
WESTERN CAPE																
A	CPT City of Cape Town	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC011 Matzikama	21 307	22 291	23 707	-	-	-	30 000	30 000	30 000	5 000	8 000	5 000	-	-	-
B	WC012 Cederberg	15 667	16 310	17 237	-	-	-	30 000	30 000	30 000	9 642	10 000	13 000	-	-	-
B	WC013 Bargvisser	14 548	15 124	15 953	-	-	-	-	-	-	6 000	5 000	5 000	-	-	-
B	WC014 Saldanha Bay	19 415	20 285	21 537	-	-	-	-	-	-	3 000	5 000	5 000	-	-	-
B	WC015 Swartland	21 301	22 285	23 700	-	-	-	-	-	-	5 000	10 000	10 000	-	-	-
C	DC1 West Coast District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	2 681	2 866	3 023
Total: West Coast Municipalities		92 238	96 295	102 134	-	-	-	60 000	60 000	60 000	28 642	38 000	38 000	2 681	2 866	3 023
B	WC022 Witzberg	22 411	23 462	24 974	19 471	-	-	-	-	-	3 000	5 000	5 000	-	-	-
B	WC023 Drakenstein	-	-	-	-	-	-	-	-	-	15 000	15 000	15 000	-	-	-
B	WC024 Stellenbosch	-	-	-	-	-	-	-	-	-	15 640	8 000	9 000	-	-	-
B	WC025 Breede Valley	34 452	36 230	38 787	-	-	-	-	-	-	10 000	15 000	18 000	-	-	-
B	WC026 Langeberg	21 983	23 008	24 482	-	-	-	-	-	-	5 000	5 000	5 000	-	-	-
C	DC2 Cape Winelands District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	2 849	3 012	3 179
Total: Cape Winelands Municipalities		78 846	82 700	88 243	19 471	-	-	-	-	-	48 640	48 000	52 000	2 849	3 012	3 179
B	WC031 Theewaterskloof	26 430	27 723	29 584	-	-	-	-	-	-	5 019	5 000	5 000	-	-	-
B	WC032 Overstrand	32 010	33 036	34 513	-	-	-	-	-	-	7 000	5 000	5 000	-	-	-
B	WC033 Cape Agulhas	11 005	11 367	11 889	-	-	-	-	-	-	-	2 813	5 000	-	-	-
B	WC034 Swellendam	11 937	12 356	12 958	-	-	-	-	-	-	3 000	2 000	5 000	-	-	-
C	DC3 Overberg District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	2 807	2 867	3 131
Total: Overberg Municipalities		81 382	74 482	-	-	-	-	-	-	-	-	-	-	2 807	2 867	3 131
B	WC041 Karolanda	10 271	10 589	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC042 Hessequa	13 650	14 172	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC043 Mossel Bay	24 105	24 712	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC044 George	40 104	41 000	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC045 Oudshoorn	21 747	22 354	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC047 Bitou	20 173	20 780	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC048 Knysna	25 031	25 638	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC4 Garden Route District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Garden Route Municipalities		155 081	161 195	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC051 Laingsburg	6 692	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC052 Prince Albert	15 502	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B	WC053 Beaufort West	13 972	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C	DC5 Central Karoo District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Central Karoo Municipalities		36 166	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total: Western Cape Municipalities		443 713	448 700	458 134	19 471	-	-	-	-	-	118 282	126 000	130 000	2 681	2 866	3 023
Unallocated		-	26 000	-	-	-	-	-	-	-	-	-	-	-	-	-
National Total		14 816 103	15 668 000	16 516 134	19 471	-	-	-	-	-	118 282	126 000	130 000	2 681	2 866	3 023

Example of breakdown of components

- Some grants have “components” within them
- Components have specific conditions applicable to them
- Allocations for components are specified either in a grant framework or gazetted separately

APPENDIX W12

APPENDIX TO SCHEDULE 5, PART A: BREAKDOWN OF THE EARLY CHILDHOOD DEVELOPMENT GRANT: ALLOCATIONS PER GRANT COMPONENT PER PROVINCE

Social Development (Vote 17)	Early Childhood Development Grant		
	National Financial Year		
	2019/20 (R'000)	2020/21 (R'000)	2021/22 (R'000)
Province /Components			
Early Childhood Development Grant			
Eastern Cape	85 397	91 117	96 129
Free State	25 477	27 186	28 681
Gauteng	68 097	72 658	76 655
KwaZulu-Natal	116 035	123 807	130 616
Limpopo	68 992	73 616	77 665
Mpumalanga	44 351	47 323	49 926
Northern Cape	14 199	15 152	15 985
North West	55 201	58 899	62 137
Western Cape	40 479	43 191	45 567
Total	518 228	552 949	583 361
<i>of which:</i>			
Maintenance Component			
Eastern Cape	8 603	9 181	9 686
Free State	8 975	9 579	10 106
Gauteng	7 104	7 582	7 999
KwaZulu-Natal	13 162	14 047	14 820
Limpopo	16 390	17 492	18 454
Mpumalanga	8 603	9 181	9 686
Northern Cape	6 098	6 508	6 866
North West	6 368	6 797	7 169
Western Cape	7 824	8 350	8 810
Total: Maintenance Component	83 127	88 717	93 596
Subsidy Component			
Eastern Cape	76 794	81 936	86 443
Free State	16 502	17 607	18 575
Gauteng	60 993	65 076	68 656
KwaZulu-Natal	102 873	109 760	115 796
Limpopo	52 602	56 124	59 211
Mpumalanga	35 748	38 142	40 240
Northern Cape	8 101	8 644	9 119
North West	48 833	52 102	54 968
Western Cape	32 655	34 841	36 757
Total: Subsidy Component	435 101	464 232	489 765















DoR Bill (and more detailed information) are available on National Treasury's website

-  Ministry of Finance
-  National Treasury Information
-  Budget Information
 -  National Budget
 -  Provincial Budget
 -  MTBPS
-  Investor Relations
-  Communications and Media
-  Publications
-  Research
-  Legislation
-  Divisions
-  Documents : Public comments
-  Contacts
-  FAQ
-  Graduate Recruitment
-  Careers
-  Supplier Database Forms
-  Tender Info

Documents - National Budget - 2019 - Division of Revenue and Budget Information

Division of Revenue and Budget Information

Division of Revenue

 Chapter 6 - Division of Revenue and Spending by Provinces and Municipalities	(787kb)
 W1 - Explanatory Memorandum to the Division of Revenue	(957kb)
 Division of Revenue Bill	(3,997kb)
 2019 Division of Revenue Bill Annexes in Excel format	(2,047kb)
 2019 Division of Revenue Bill Schedules in Excel format	(205kb)
 2018 Division of Revenue Bill Schedules and Annexes in Excel format	(2,398kb)
 2017 Division of Revenue Bill Schedules and Annexes in Excel format	(1,336kb)
 Division of Revenue Act (16 of 2019)	(1,043kb)
 Government Gazette NO. 42464 Dated 17 May 2019 - Publication of Government Gazette Required in Terms of Section 16 (1) of the Division of Revenue ACT, 2019 (ACT NO. 16 OF 2019)	(3,406kb)
 2019 Local Government Equitable Share Summary Data and Formula	
 2019 Summary of Allocation to Local Government	
 2018 Summary of Allocation to Local Government	
 2017 Summary of Allocation to Local Government	
 Intergovernmental Fiscal Reviews	

Division of Revenue Amendment Bill

- If the national adjustments budget makes changes to the Division of Revenue Act, then the Money Bills and Related Matters Act (2009) requires that a Division of Revenue Amendment Act is tabled
- This Act only makes changes to allocations for the current year (first year of the 3-year MTEF period)
- Government also makes use of this opportunity to consult Parliament on any corrections needed to gazetted conditional grant frameworks (this process is governed by section 16 of the DoRA)

How the Division of Revenue relates to provincial and municipal budgets

- The budget is a key statement of policy of government (all 3 spheres) – it is the process through which choices have to be made about competing priorities (all 3 spheres)
 - 1 national budget, 9 provincial budgets and 257 municipal budgets
- Allocations to provinces and municipalities (equitable share, conditional grants, and grants-in-kind) contained in annual Division of Revenue Bill

Provinces

- Each Provincial Legislature decides on where to allocate resources
- Provinces raise small amounts of own revenue
- Provinces primarily funded through provincial equitable share and also receive conditional grants for national agreed to priorities
- Priorities set nationally through: legislation, norms and standards or political statements

Local government

- Each Municipal Council decides on where to allocate resources
- Municipalities raise (in aggregate) most of their revenue from own sources although poor municipalities much more reliant on transfers
- Municipalities receive equitable share to provide basic services to poor households as well as conditional grants for national agreed to priorities

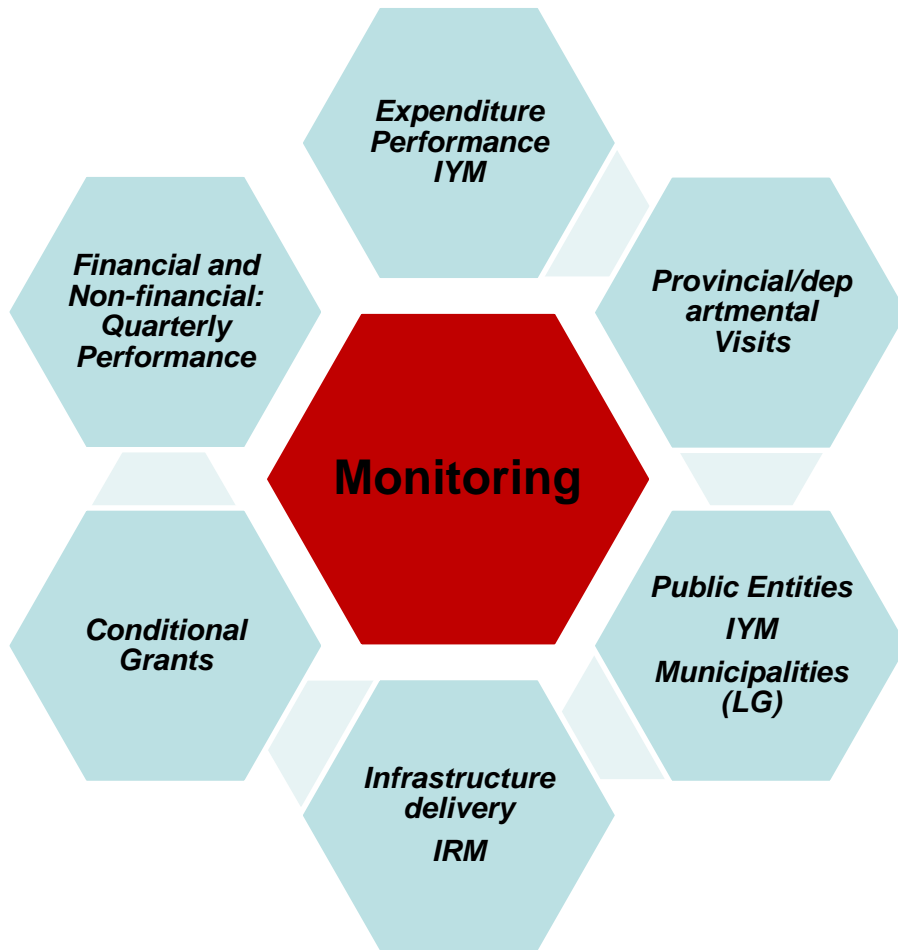
Monitoring and Oversight



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Reporting and monitoring

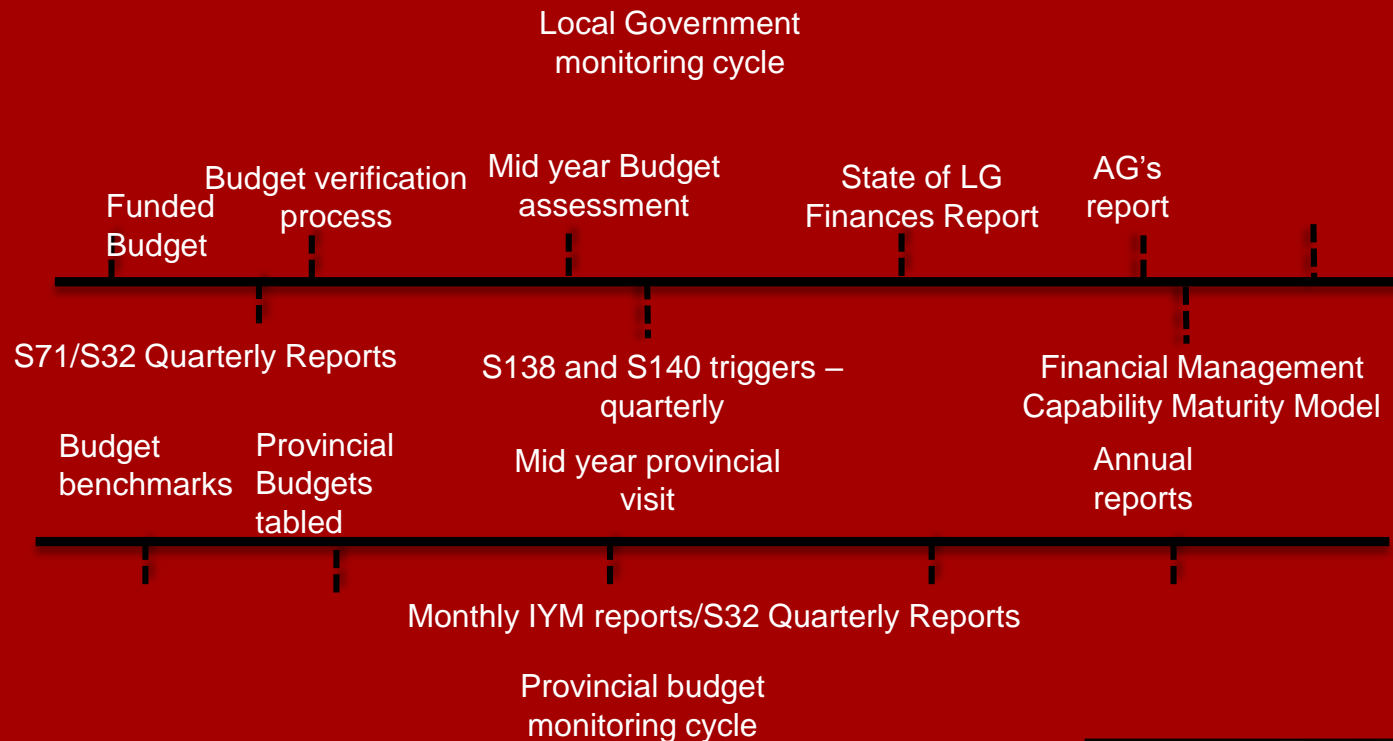


- Sections 32 and 40(4) of PFMA and 71 of MFMA emphasise accountability, regular monitoring and performance reporting on a monthly basis
- DORA, require monthly expenditure and revenue reporting to the provincial treasuries/national departments and National Treasury
- Provinces and national departments report monthly and quarterly on grant spending and quarterly on non-financial data
- Reports are submitted to sector departments that manage each grant and to National Treasury
- National Treasury submits quarterly expenditure reports to Parliament
- Unspent or misspent CG funds can be recovered against future transfers
- Non-compliant grant spending result in withholding or stopping of transfers
- Under performance – stopping and reallocation



Early Warning Systems...our Monitoring Tools

- Several Early Warning Systems already built into our process and at our disposal as a preventative measure
- These are currently under-utilized and severely under-exploited
- A number of opportunities to identify potential financial troubles **before** they escalate



Provincial conditional grants

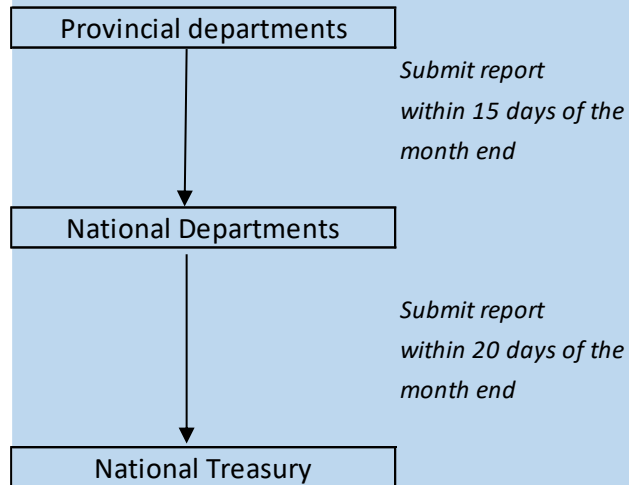


national treasury

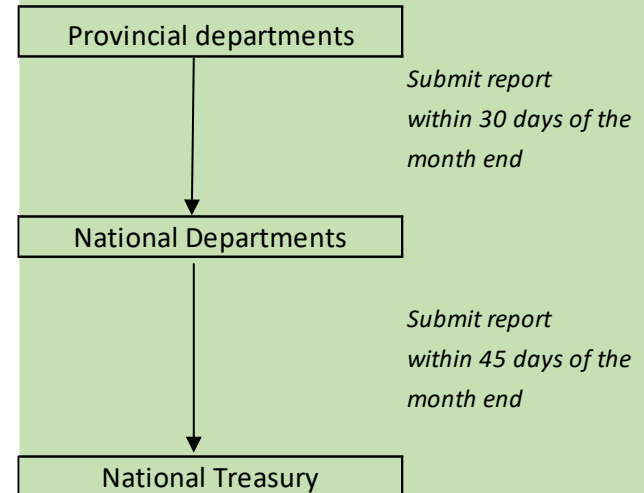
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Reporting requirements – Schedule 4 and 5 grants

Monthly (financial)



Quarterly (non financial)



Annual Evaluation



Monitoring and analysis (1 of 2)

Financial

- Check spending on a monthly and quarterly basis. Generally, spending is expecting to be around 25 per cent per quarter, but some grants spending erratically e.g. Infrastructure grants. Each grant must be assessed individually
- The next check is the spending as a percentage of funds transferred to provinces. The funds transferred are based on the activities and cash flow projections of the business plans.
- Ideally, the entire amount transferred should be spent since the activities planned for should have taken place in the particular quarter. If in excess of 20 per cent remains unspent, it warrants further analysis, as it could mean the plan was not fully implemented. The activities not complete has to be identified and reason for inaction has to be determined.
- Provinces and the relevant national department has to provide a plan that outlines how the province will recover in the ensuing month or quarter.

Monitoring and analysis (2 of 2)

Non-Financial

- Provinces report on performance on a quarterly basis. The indicators are reported on, based on what targets were set in the business plan. examples of indicators are *number of farmers supported, number children fed, etc.*
- The first check is to see whether target for the quarter have been met. Generally, the quarterly reports contains narrative if there has been a variance on an indicator.
- If there is no reason a query is made with the relevant national department. This normally occurs during engagements that National Treasury has with national departments.
- There should be a correlation between the funds spent and the performance of a particular output. If there is a divergence, the department will have to explain. In some cases it could be a minor reason such as the invoice being submitted late, but it could also point to

Infrastructure Monitoring and Reporting: Overview of IRM

View by Sector, Province, **District**, Municipality, IA, Funding Source, Pjt Status

Eastern Cape: Education

Dashboard Funding Source Economic Classification Nature of Investment Project Status Projects Documents Gap A

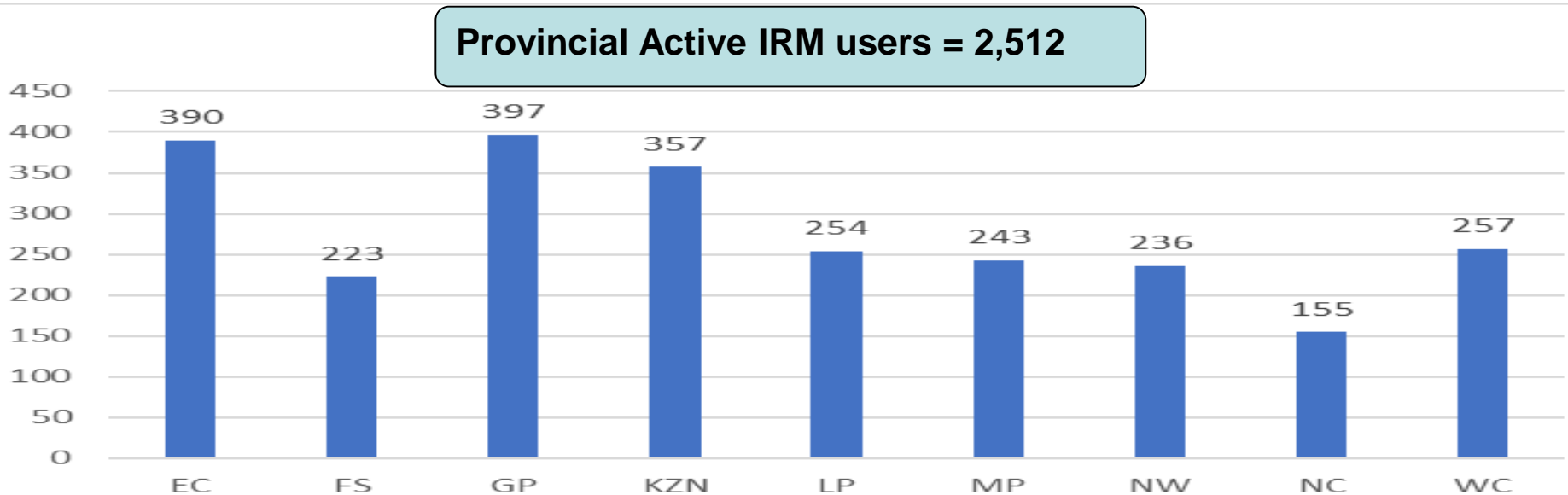
All Projects Active Inactive Emergency

Active Projects

▼ Project No	▼ Project Name	▼ District Municipality	▼ Local Municipality	▼ Project Status	▼ Funding Source	▼ Nature of Investment	Programme Implementing Agent	% Progress	Project Cost	Total Expenditure from Previous Years
p9010435	AaRON Gqadu	Nelson Mandela Bay	Nelson Mandela Bay	Construction 76% - 99%	Education Infrastructure Grant	Maintenance and Repairs	CDC Maintaining Fencing	95%	409,165	0
P9006371.	AARON GQADU PRIMARY SCHOOL	Nelson Mandela Bay	Nelson Mandela Bay	Feasibility	Education Infrastructure Grant	Maintenance and Repairs	CDC	0%	4,431	0
P9005742	ABERDEEN PRIMARY PUBLIC SCHOOL	Sarah Baartman	Dr Beyers Naude	Final Completion	Education Infrastructure Grant	Rehabilitation, Renovations & Refurbishment	DBSA	100%	9,498,318	8,051,453
P9006146/	ABERDEEN SECONDARY SCHOOL	Sarah Baartman	Dr Beyers Naude	Construction 76% - 99%	Education Infrastructure Grant	Rehabilitation, Renovations & Refurbishment	DBSA	95%	411,782	0
P9006245	ABRAHAM LEVY PRIMARY SCHOOL	Nelson Mandela Bay	Nelson Mandela Bay	Construction 76% - 99%	Education Infrastructure Grant	New or Replaced Infrastructure	DOE	95%	4,451	0
P0002200	A B SIWENDU SP SCHOOL	Amathole	Mbhashe	Feasibility	Education Infrastructure Grant	Upgrading and Additions	CDC	0%	2,281,029	20,077,234
P0003032	ADDO PRIMARY SCHOOL	Sarah Baartman	Sundays River Valley	Final Completion	Education Infrastructure Grant	Upgrading and Additions	DPW combined priority	100%	8,198,028	0
200100012	ADELAIDE GYMNASIUM	Amathole	Raymond Mhlaba	Construction 76% - 99%	Education Infrastructure Grant	Upgrading and Additions	DOE	95%	2,330,222	0
P0004475	ADELAIDE P SCHOOL	Amathole	Raymond Mhlaba	Practical Completion (100%)	Education Infrastructure Grant	New or Replaced Infrastructure	CDC	97%	59,108	34,486,768
P9006388 /	ADOLPH SCHAUDER PRIMARY SCHOOL	Nelson Mandela Bay	Nelson Mandela Bay	Feasibility	Education Infrastructure Grant	Maintenance and Repairs	CDC	0%	3,448	0
P9010654	AEROVILLE PRIMARY SCHOOL	Sarah Baartman	Blue Crane Route	Feasibility	Education Infrastructure Grant	Upgrading and Additions	DOE	0%	1,047,862	0
P9005985	AEROVILLE PRIMARY SCHOOL	Sarah Baartman	Blue Crane Route	Design	Education Infrastructure Grant	New or Replaced Infrastructure	CDC	3%	4,283,248	1,371,046
20010001 8	Aeroville SS School	Sarah Baartman	Blue Crane Route	Construction 76% - 99%	Education Infrastructure Grant	New or Replaced Infrastructure	DOE	95%	559,179	0

In year monitoring – Access to IRM

- Training and orientation on the IRM System by NT (Half Day)
- User rights granted for “**National View**” i.e. All sectors, all provinces etc.
- Predetermined “**Customized**” consolidated performance information can be created
- Interactive support available to users



Local Government conditional grants



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Purpose of the reporting framework for LG

- Timely information on the state of municipal finances
- Areas of risk highlighted; “**Early Warning System**”
- Measures performance of municipalities aligned to National priorities
- Promotes the principles of accountability & transparency
- Proactive management of the budget in relation to actual performance
- Enables stakeholders to structure policy to the benefit of local government
- Assesses compliance to the legal framework; and
- Improves financial information pertaining to LG thereby strengthening the planning & budgeting capability

Annual, quarterly and monthly reporting

- In brief, the reporting requirements for municipalities are specified in section 71 & 72 of the MFMA & the Municipal Budget and Reporting Regulations (MBRR)
- Concurrent three stream municipal reporting framework – prior year, current year and next MTREF cycle
- Reporting requirements are summarised as follows:
 - i. Tabled and adopted budgets;
 - ii. Adjustments budget;
 - iii. Monthly section 71 & quarterly reporting; and
 - iv. Mid-year budget & performance assessment section 72
 - v. Accountability reporting – AFS & Annual Report

Monthly budget statements (section 71)

- Role of monthly reports is to report on the status of budget implementation at the end of each month
- It is published no later than 10 working days after month end
- Format prescribed in the Municipal Budget and Reporting Regulations
- May be tabled in council
- Serves as an early warning system to management to take decisions so municipal objectives can be achieved
- Sent to provincial treasury and National Treasury

What to look for in quarterly Section 71 publications?

- **Cash position of municipalities**
 - Whose end-of-quarter bank balances indicate risks?
 - What is the trend since the last quarter?
- **Revenue trends**
 - Needs to be seen in relation to growth in debtors
- **Operating expenditure trends**
 - Are municipalities 'overspending' against quarterly benchmarks?
- **Capital expenditure trends**
 - Are municipalities 'under spending' against quarterly benchmarks?
- **Growth in debtors**
- **Growth in creditors**
- **List of external loans**
- **Monthly Repairs and Maintenance expenditure**
- **Spending against conditional grants**
 - Munis should prioritise spending these funds because of the 'use it or lose it' policy
- **Over and under spending report**
- **State of municipal finances**

Interventions Strategies

Intervention

S100 enables a two-part process for remedial action: Section 100(1)(a) - national executive may issue a directive to the provincial executive and section 100(1)(b) - national executive may go further and “assume responsibility” for the obligation.

Section 139 of the Constitution, as amended, provides three instances in which a province can intervene in the affairs of local government.

Section 154 of the Constitution, as amended, provides for national and provincial government to support and strengthen the capacity of municipalities to exercise their own affairs.

Section 18 of the PFMA requires provincial treasury to exercise control over the implementation of provincial budgets and to assist departments in “building their capacity for efficient, effective and transparent financial management”.

Section 136 of the MFMA requires provincial treasury to intervene in a municipality and to take appropriate steps to support the municipality.

Shortfall on cash/financial crisis

Non payment for services

Financial Misconduct

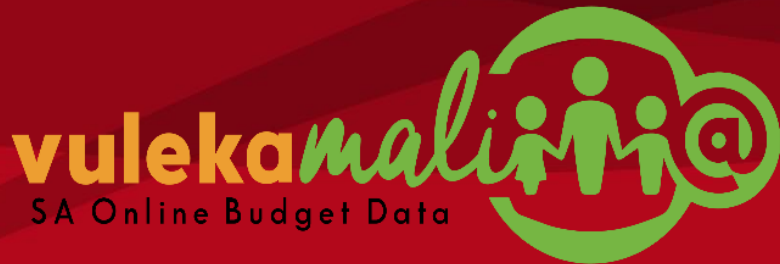
UIF Expenditure

Unethical behaviour

Non approval of budgets




THANK YOU



For additional information on national and provincial budgets, please visit our new budget data portal: <https://vulekamali.gov.za>

www.municipalmoney.gov.za

open **local government budget** data portal 

Explore easy-to-understand, verified financial information for **every single municipality** in South Africa in one place.

For information on local government finances, please visit: <https://municipalmoney.gov.za>