



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo leNtshona Koloni

Ref Number: 11/4/3

(Negotiating Mandate stage) Report of the Budget Committee on the Division of Revenue Second Amendment Bill [B 24–2020] (NCOP), dated 23 November 2020, as follows:

The Budget Committee, having considered the subject of the Division of Revenue Second Amendment Bill [B 24–2020] (NCOP) referred to it in accordance with Standing Rule 217, confers on the Western Cape's delegation in the NCOP the authority to not support the Bill for the following reasons:

The Division of Revenue Second Amendment Bill [B 24–2020] ("DORA Bill") was tabled on 28 October 2020 by Minister Tito Mboweni, which modified much of the 2020 budget as well as the first adjustment budget.

IMPACT OF FIRST ADJUSTMENT BUDGET IN THE WESTERN CAPE

In the first adjustment budget¹ R130 billion was cut, R30 billion of which was cut within respective provincial budgets (excluding conditional grants).

There were no changes to the provincial equitable share in the first adjustment budget – and thus the previous equitable share remained.² The cuts came from within the respective provincial budgets. Thus, each province had to fund their own COVID-19 response.

The Western Cape provincial government had to cut R2 051 234 000 / > R2 billion³ from within its own budget in the first adjustment budget and Western Cape local governments received a mere 6.56% from the total equitable share allocated to municipalities across the country.

The total grant increases to Western Cape local governments amounted to R30.78 million and the total grant decreases to Western Cape local governments amounted to R314.214 million. Thus, there was a net decrease of R283.434 million in grants to Western Cape local governments in the first adjustment budget.⁴

The total grant increases to the province amounted to R577.22 million (of which the majority of the amount was for the 'COVID-19' component of the 'HIV, TB Malaria and Community Outreach Grant')⁵

¹ Republic of South Africa. *Division of Revenue Amendment Bill [B9 – 2020]*. 1-64 64. http://pmg-assets.s3-website-eu-west-1.amazonaws.com/B09-2020_Division_of_Revenue_Amendment_Bill.pdf (Accessed 14 July 2020).

² 08 July 2020. National Treasury Briefing to NA Standing Committee on Appropriations and NCOP Select Committee on Appropriations. *COVID-19 Response: Division of Revenue Amendment Bill, 2020*. 5 24 http://pmg-assets.s3-website-eu-west-1.amazonaws.com/200708UPDATED_NT_presentation.pdf (Accessed 14 July 2020).

³ Ibid.

⁴ *Division of Revenue Amendment Bill [B9 – 2020]*. 16-20, 22 & 60 64. http://pmg-assets.s3-website-eu-west-1.amazonaws.com/B09-2020_Division_of_Revenue_Amendment_Bill.pdf (Accessed 14 July 2020).

⁵ Ibid. 60 64.

and the total grant decreases to the province amounted to R634.113 million. Thus, there was a net decrease of R56.893 million in grants to the Western Cape Province in the first adjustment budget.⁶

IMPACT OF SECOND ADJUSTMENT BUDGET IN THE WESTERN CAPE

R17.75 billion will be cut from the provincial equitable share of all provincial budgets in the second adjustment budget, of which R1.53 billion will come directly from the provincial equitable share allocation of the Western Cape provincial government.⁷

The respective budget cuts are indicated in the table below.

Adjustments to Western Cape provincial Grant Allocations:

National Dept (Vote)	Name of Allocation	Type of Allocation	Second Adjustment
			R'000
Health (Vote 18) ⁸	National Tertiary Services Grant	General conditional allocation to provinces	(30 010)
Transport (Vote 40) ⁹	Provincial Roads Maintenance Grant	General conditional allocation to provinces	(61 316)
Agriculture, Land Reform and Rural Development (Vote 29) ¹⁰	Comprehensive Agricultural Support Programme Grant	Conditional allocation	(1 042)
Agriculture, Land Reform and Rural Development (Vote 29) ¹¹	Ilima/Letsema Projects Grant	Conditional allocation	(492)
Agriculture, Land Reform and Rural Development (Vote 29) ¹²	Land Care Programme Grant: Poverty Relief and Infrastructure Development	Conditional allocation	(60)
Health (Vote 18) ¹³	HIV, TB, Malaria and Community Outreach Grant ¹⁴	Conditional allocation	9 426

⁶ Ibid. 16, 45, 52 & 58 64.

⁷ Division of Revenue Second Amendment Bill [B24 – 2020]. 4 80. [https://static.pmg.org.za/B24-2020/Division of Revenue 2nd.pdf](https://static.pmg.org.za/B24-2020/Division%20of%20Revenue%202nd.pdf) (Accessed 18 November 2020).

⁸ Ibid. 5 80.

⁹ Ibid.

¹⁰ Ibid. 7 80.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid. 9 80.

¹⁴ Ibid. 71 80. **This (net) R9.4 million increase in the grant consists of a decrease of R12.854 million in the HIV and AIDS component, decrease of R547 000 in the TB component, R27.671 million increase in the Community Outreach Services Component and R4.844 million decrease in the COVID-19 component of this grant.**

Health (Vote 18) ¹⁵	Statutory Human Resources, Training and Development Grant ¹⁶	Conditional allocation	(11 514)
Human Settlements (Vote 33) ¹⁷	Title Deeds Restoration Grant	Conditional allocation	(23 320)
Social Development (Vote 19) ¹⁸	Early Childhood Development Grant ¹⁹	Conditional allocation	53 067
Sports, Arts and Culture (Vote 37) ²⁰	Mass Participation and Sport Development Grant	Conditional allocation	(453)

The total grant increases to the province amounts to R62.493 million (composition of the 'COVID-19' component of the 'HIV, TB Malaria and Community Outreach Grant' and the 'Early Childhood Development Grant') and the total grant decreases to the province amounts to R128.207 million. Thus, there was a net decrease of R65.714 million in grants to the Western Cape province in the second adjustment budget.

The following tables highlight adjustments to allocations in Western Cape local governments.

Allocations to Municipalities to supplement the funding of functions funded from Municipal Budgets²¹:

National Dept (Vote)	Name of Allocation	City	2020/21 Adjustment Allocation
			R'000
National Treasury (Vote 8)	Integrated City Development Grant	City of Cape Town	(784)

Specific Purpose Allocations to Municipalities²²:

Name of Grant	Category	Municipality	2020/21 Adjustment Allocation
			R'000
Infrastructure Skills Development Grant	A	City of Cape Town	(131)
	B	George	(74)

Infrastructure Grant Allocations to Municipalities²³

Name of Grant	Category	Municipality	2020/21 Adjustment Allocation
			R'000
	B	Matzikama	(383)

¹⁵ Ibid.

¹⁶ Ibid. 73 80. **The full amount will affect the Training and Development component of this grant.**

¹⁷ Ibid. 10 80.

¹⁸ Ibid. 11 80.

¹⁹ Ibid. 69 80. **This whole amount will be for the subsidy component of the grant.**

²⁰ Ibid. 12 80.

²¹ Ibid. 6 80.

²² Ibid. 50 80.

²³ Ibid. 57 80.

Municipal Infrastructure Grant	B	Cederberg	(191)
	B	Bergrivier	(178)
	B	Saldanha Bay	(237)
	B	Swartland	(260)
	B	Witzenberg	(273)
	B	Breede Valley	(420)
	B	Langeberg	(268)
	B	Theewaterskloof	(322)
	B	Overstrand	(269)
	B	Cape Agulhas	(135)
	B	Swellendam	(9 148)
	B	Kannaland	(126)
	B	Hessequa	(167)
	B	Mossel Bay	8 598
	B	George	(485)
	B	Oudtshoorn	(265)
	B	Bitou	(246)
	B	Knysna	(305)
	B	Laingsburg	(80)
	B	Prince Albert	(93)
	B	Beaufort West	(172)
Water Services Infrastructure Grant	B	Matzikama	(17 000)
	B	Cederberg	(30 000)
	B	Bergrivier	6 596
	B	Drakenstein	4 095
	B	Langeberg	21 093
	B	Theewaterskloof	2 500
	B	Cape Agulhas	7 700
	B	Swellendam	10 707
	B	Kannaland	(10 000)
	B	Oudtshoorn	(30 000)
	B	Knysna	5 835
	B	Laingsburg	7 496
Integrated Urban Development Grant	B	Drakenstein	(722)
	B	Stellenbosch	(584)
Integrated City Development Grant	A	City of Cape Town	(784)
Neighbourhood Development Partnership Grant (Capital)	A	City of Cape Town	(12 332)
Public Transport Network Grant	A	City of Cape Town	(44 208)
	B	George	(7188)

Allocations-in-Kind to Municipalities²⁴:

²⁴ Ibid. 64-80.

Name of Grant	Category	Municipality	2020/21 Adjustment Allocation
			R'000
Regional Bulk Infrastructure Grant	B	Cederberg	(6000)
	B	Bergrivier	(15 326)
	C	West Coast District Municipality	15 326
	C	Cape Winelands District Municipality	17 834

Municipal Infrastructure Grant (MIG) and Integrated Urban Development Grant (IUDG) allocations for sports infrastructure²⁵:

Project Name	Category	Municipality	2020/21 Adjustment Allocation
			R'000
Upgrading of existing and construction of new sports facilities in Klawer (ward 6)	B	Matzikama	(120)
New soccer facility for Wolwedans	B	Swellendam	(9 000)
New soccer facility for Wolwedans	B	Mossel Bay	8 890

The total grant increases to the Western Cape local governments amounting to R116.670 million and the total grant decreases to the Western Cape local governments amounting to R198.276 million. Thus, there was a net decrease of R81.606 million in grants to the Western Cape local governments in the second adjustment budget.

In summary, the reasons for non-support of the Bill:

1. R1.5 billion will be cut by National Government from the provincial equitable share allocation of the Western Cape provincial government. More than R2 billion was already cut from the Western Cape provincial budget in the first adjustment budget. This now amounts to R3.5 billion within one financial year.
2. The Western Cape province fundamentally disagrees with the current provincial equitable share formula and requests that National Treasury submits all current criteria and / or factors taken into account, reasons for each criteria and / or factor, measurements for each criteria and / or factor; along with the full mathematical formula, to the Western Cape Provincial Legislature; as well as the list of criteria and factors currently being taken into consideration for the review of the provincial equitable share formula.
3. Net decrease of R65.714 million in grants to the Western Cape province in the second adjustment budget, which will affect services such as road infrastructure, agriculture support and training, land reform, health services in the AIDS/HIV, TB and COVID-19 programmes, and title deed

²⁵ Ibid. 67 80.

restoration. This is in addition to the R56.893 million net decrease in grant allocations to the Western Cape province during the first adjustment budget; which affected the building of new infrastructure, such as schools and roads. This amounts to a net decrease of R122.607 million in total between the first and second adjustment budgets.

4. Net decrease of R81.606 million in grants to the Western Cape local government in the second adjustment budget. This is in addition to the net decrease of R283.434 million in grant allocations to the Western Cape local governments during the first adjustment budget. This amounts to a net decrease of R365.04 million in total between the first and second adjustment budget.
5. SAA Business Rescue / Bailout
 - a. SAA will be receiving a R10.5 billion bailout from national government. SAA has previously received R36.9 billion in bailouts already spent over the years.
 - b. It is immoral to allocate funds to SAA when essential provincial and local government programmes are being cut by national government.
 - c. The Western Cape province vehemently opposes the SAA bailout and requests that these funds be allocated by National Treasury to all provinces in terms of the current provincial equitable share formula; and further requests that the NCOP requests such an amendment from National Treasury to the current Bill in the negotiating mandate phase.
6. Education
 - a. Previous concerns not addressed in the first or second adjustment budgets (Money does not follow learners and infrastructure).
 - b. In fact, in the first adjustment budget, the following provincial Education grants were cut from the Western Cape:
 - i. Education Infrastructure Grant – R159.441 million cut
 - ii. HIV and Aids (Life Skills Education Grant) - R4.802 million cut
 - iii. Maths, Science and Technology Grant - R5.069 million cut
 - c. These cuts were separate to the funds the Western Cape Education Department already had to use from the existing infrastructure grant for COVID-19 relief, amounting to approximately R650 million.
 - d. No increase in funds has been allocated to the Western Cape Education Department in the second adjustment budget.
7. Health
 - a. Previous concerns have not been addressed in first or second adjustment budgets (Money does not follow patients and infrastructure).
 - b. President Ramaphosa promised extra funds for Western Cape for COVID-19 health response earlier this year. The President indicated that the government would direct R20 billion towards fight the pandemic. However, he failed to mention that the R20 billion would come directly from cuts from programmes within respective provincial budgets. This was affected during the first adjustment budget.
 - c. Instead of bailing out SAA, the National Government could re-allocate those funds to provincial and local governments for their COVID-19 relief responses and economic recovery plans.
 - d. Further, in the second adjustment budget, the following Health grants will be cut:
 - i. National Tertiary Services Grant - R30.010 million cut.
 - ii. Statutory Human Resources, Training and Development Grant – R11.514 million cut.
 - iii. While we welcome the net increase of R9.426 million in the HIV, TB, Malaria and community outreach grant, the grant consists of a decrease of R12.854 million in the HIV and AIDS component, decrease of R547 000 in the TB component, R27.671 million increase in the Community Outreach Services Component and R4.844 million decrease in the COVID-19 component of this grant.
8. Transport
 - a. In the second adjustment budget, the following provincial Transport grant will be cut:

- i. Provincial Roads Infrastructure Grant – R61.316 million cut. This is in addition to the R161.654 million which was cut during the first adjustment budget.

9. Agriculture

- a. In the second adjustment budget, the following provincial Agriculture grants will be cut:
 - i. Comprehensive Agricultural Support Programme Grant – R1.042 million cut. This is in addition to the R21.212 million cut in the first adjustment budget.
 - ii. Ilima/Letsema Projects Grant – R492 million cut. This is in addition to the R9.084 million cut during the first adjustment budget.
 - iii. Land Care Programme Grant: Poverty Relief and Infrastructure Development – R60 million cut.
- b. In the first adjustment budget the Western Cape government received Drought Relief Funding amounting to R25 million from the Provincial Disaster Relief Grant; however that amount was wholly inadequate to address the drought in the Western Cape; given that the province previously had to use a minimum of R50 million from its own provincial revenue fund to bolster Drought Relief Funding. In the second adjustment budget the Western Cape provincial government is receiving no funding for drought relief.

10. Human Settlements

- a. In the second adjustment budget, the following provincial Human Settlements grants will be cut:
 - i. Title Deeds Restoration Grant – R23.320 million cut. This is in addition to the R44.432 million cut in the first adjustment budget.

11. Social Development

- a. The Western Cape province welcomes the increase in Early Childhood Development Grant of R53.067 million but registers its disgust that the national government's disaster management regulations first allowed casino's to open up before Early Childhood Development (ECD) centres. During the COVID 19 global pandemic, many single mothers could not utilise the services of their local ECD centres. It is unfathomable to even think that one can open an economy without making provision for education facilities for parents, and single mothers in particular.

12. Sports, Arts and Culture

- a. In the second adjustment budget, the following provincial Sports, Arts and Culture grants will be cut:
 - i. Mass Participation and Sport Development Grant – R453 million cut. This is in addition to the R22.684 million cut in the first adjustment budget.

13. Police & Safety

- a. Previous concerns not addressed in first nor second adjustment budget (Western Cape using own budget to fund national mandate). In fact, no increased funding has been allocated for this function.

Minority View

In terms of Standing Rule 90, the African National Congress expressed its minority view that it supports the Bill.



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MR RD MACKENZIE, MPP

ACTING CHAIRPERSON: BUDGET COMMITTEE

DATE: 23 NOVEMBER 2020