

2021 DIVISION OF REVENUE AMENDMENT BILL

Western Cape

PRESENTED BY:

National Treasury

Division: IGR

Date: 1 December 2021



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Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



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STRUCTURE OF THE PRESENTATION

This presentation covers:

- An overview of the 2021 Division of Revenue Amendment Bill
 - Changes to provincial allocations
 - Changes to local government allocations
 - Changes to gazetted conditional grant frameworks and allocations

WHAT THE DIVISION OF REVENUE AMENDMENT BILL IS PROPOSING TO AMEND

Division of Revenue Bill tabled on Budget Day
contains all of this
(plus Explanatory Memorandum)

Division of Revenue Act

[Act 9 of 2021]

Act passed by Parliament and signed by the President in June 2021, contains:

- Clauses of the Act set requirements for transfer of funds, reporting on funds, conditions that may be set for grants and enforcement mechanisms
- Schedules to the Act contain equitable share and grant allocations

Government Gazette

No. 44822
9 July 2021

218 page gazette signed by the Minister of Finance contains:

- Grant frameworks setting out conditions and responsibilities attached to each conditional grant
- Allocations per individual municipality
- Supplementary detail for allocations (e.g. split per grant component)

Division of Revenue Amendment Bill

[B 19-2021]

Bill tabled on 11 November 2021 contains:

- Relatively small in-year adjustments to allocations, consistent with limitations in S30 of the PFMA
- Request to correct some gazetted frameworks

Section 30(2) of the PFMA says that a national adjustments budget may only provide for:

- adjustments required due to significant and **unforeseeable economic and financial events** affecting the fiscal targets set by the annual budget;
- unforeseeable and unavoidable expenditure** recommended by the national executive or any committee of Cabinet members to whom this task has been assigned;
- any expenditure in terms of section 16;
- money to be appropriated for **expenditure already announced** by the Minister during the tabling of the annual budget;
- the **shifting of funds between and within votes** or to follow the transfer of functions in terms of section 42;
- the utilisation of **savings** under a main division of a vote for the defrayment of excess expenditure under another main division of the same vote in terms of section 43; and
- the **roll-over of unspent funds** from the preceding financial year.

CHANGES IN THE CLAUSES AND SCHEDULES

- The main purpose of the DoRAB is to amend “Column A” of the DoRA schedules which shows the allocation for the current year
- The new “Column A” created by the DoRAB shows the original allocation, the adjustment and the new allocation so as to maximise transparency in the adjustment process
- “Column A” is amended for schedules 1, 2, 5 (Part B) and 6 (Parts A & B)
- Part A of Schedule 5 is substituted for Part A of Schedule 5 to the principal Act

Schedule 1 from 2021 DoRA

Spheres of Government	Column A	Column B	
	2021/22	Forward Estimates	
		2022/23	2023/24
	R'000	R'000	R'000
National ^{1,2}	1 232 566 664	1 263 660 751	1 302 172 028
Provincial	523 686 351	524 088 024	525 303 747
Local	77 999 135	83 084 515	83 569 989
TOTAL	1 834 252 150	1 870 833 290	1 911 045 764

Schedule1 from 2021 DoRAB

Spheres of Government	Column A		
	2021/22 Main Allocation	Adjustment	2021/22 Adjusted Allocation
	R'000	R'000	R'000
National ^{1,2,3}	1 232 566 664	43 977 021	1 276 543 685
Provincial	523 686 351	21 148 560	544 834 911
Local	77 999 135	-	77 999 135
TOTAL	1 834 252 150	65 125 581	1 899 377 731

Changes to provincial allocations



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ADDITIONS TO PROVINCIAL ALLOCATIONS IN 2021/22

(1 OF 2)

Additional allocations for wage agreement

- To assist provinces to implement the wage agreement of the Public Service Co-ordinating Bargaining Council R14.7 billion has been added to provincial allocations for 2021/22

Presidential Youth Employment Intervention

- In the 2021 budget a provisional allocation of R11 billion was set aside in order to continue the response by government to address the impact of COVID-19 on unemployment
 - Applications were received from different sectors and several engagements were held between National Treasury, Presidency and applicants
 - On 11 August in terms section 6(1) of the Appropriation Act 2021, the Minister of Finance conditionally approved amounts to be allocated for the Presidential Youth Employment Intervention

ADDITIONS TO PROVINCIAL ALLOCATIONS IN 2021/22

(2 OF 2)

Presidential Youth Employment Intervention: Provincial Equitable Share

- *Education* - R6 billion is added to the PES for the employment of education assistants and general school assistants at public ordinary schools and public special schools. The funds were allocated by DBE based on the number of job opportunities that will be created in the different provinces
- *Health* – R350 million is added to the PES to support provinces in the health sector. The funding will be used to employ staff and assistant nurses and have been allocated through the PES formula
- *Social Development* – R120 million is added to the PES for the appointment of social workers as part of addressing the backlog of unemployed graduates. The funds were allocated based on the extent of social ills, number of service points and the nature of services provided

Presidential Youth Employment Intervention: Provincial Conditional grants

- *Early Childhood Development Grant* – R178 million is added to the grant to provide unemployment risk support to ECD related workers currently employed in ECD centres

OTHER CHANGES PROVINCIAL ALLOCATIONS (1 OF 2)

Budget Facility for Infrastructure

- R150 million is reduced from the *national health insurance indirect grant* for the Limpopo Academic Hospital due to delays experienced in the project
- R10 million is reduced from the *health facility revitalisation grant* for Western Cape for Klipfontein Hospital due to delays in the appointment of professional service providers for building design

Rollovers, reprioritisations and conversion of grants

- R210 million is rolled over for the *school infrastructure backlogs grant* for the completion of projects as part of the SAFE initiative for schools
- R97 million is reprioritised from the goods and services allocation for oversight of the *school infrastructure backlogs grant* to fund a shortfall on the workbooks project where there is an increased demand as learners are expected to work on their own from home
- R243 million is reprioritised from various components of the *national insurance indirect grant* to the *human resources and training grant* to fund the shortfall of the placement of medical interns

OTHER CHANGES PROVINCIAL ALLOCATIONS (2 OF 2)

Rollovers, reprioritisations and conversion of grants (continued)

- R167 million is converted from the personal services component of the *national health insurance indirect grant* to the *HIV, TB, malaria and community outreach grant* to allow provinces to procure directly for provision of mental health and oncology services. The services are funded from both grants and provinces have demonstrated readiness to take over their full funding and management

Changes to gazetted allocations

- Allocations in the *expanded public works programme integrated grant* that were gazetted for two separate sector departments in the Northern Cape are being combined into one allocation
- The DPWI has requested that these allocations be combined in line with Proclamation 16 of 2020 which gives effect to the merger of the Department of Agriculture, Land Reform and Rural Development and Department of Environment and Nature Conservation into a Department of Agriculture, Environmental Affairs, Rural Development and Land Reform

SUMMARY OF CHANGES TO PROVINCIAL ALLOCATIONS (1 OF 2)

R'million	Budget 2021	2021/22 Adjustments	Adjusted Allocation
Equitable Share	523 686	21 149	544 835
Direct Conditional Grants	115 783	579	116 361
Agriculture, Land Reform & Rural Development	2 238	-	2 238
Comprehensive Agricultural Support Programme Grant	1 558	-	1 558
Ilima/Letsema Projects Grant	597	-	597
Land Care Programme Grant: Poverty Relief and Infrastructure Development	83	-	83
Basic Education	20 701	-	20 701
Education Infrastructure Grant	11 689	-	11 689
HIV and AIDS (Life Skills Education) Grant	242	-	242
Learners With Profound Intellectual Disabilities Grant	243	-	243
Maths, Science and Technology Grant	412	-	412
National School Nutrition Programme Grant	8 115	-	8 115
Cooperative Governance and Traditional Affairs	140	-	140
Provincial Disaster Grant	140	-	140
Health	52 062	401	52 462
HIV, TB, Malaria and Community Outreach	27 585	167	27 753
Health Facility Revitalisation Grant	6 445	-10	6 435
National Health Insurance Grant (HP Contracting)	269	-	269
National Tertiary Services Grant	13 708	-	13 708
Human Resources and Training Grant	4 054	243	4 298
Human Settlements	17 604	-	17 604
Human Settlements Development Grant	13 403	-	13 403
Informal Settlements Upgrading Partnership Grant	3 890	-	3 890
Provincial Emergency Housing Grant	311	-	311

SUMMARY OF CHANGES TO PROVINCIAL ALLOCATIONS (2 OF 2)

R'million	Budget 2021	2021/22 Adjustments	Adjusted Allocation
Public Works & Infrastructure	837	-	837
Expanded Public Works Programme Integrated Grant for Provinces	422	-	422
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	414	-	414
Social Development	1 057	178	1 235
Early Childhood Development Grant	1 057	178	1 235
Sport, Arts & Culture	2 087	-	2 087
Community Library Services Grant	1 496	-	1 496
Mass Participation and Sport Development Grant	591	-	591
Transport	19 057	-	19 057
Provincial Roads Maintenance Grant	11 937	-	11 937
Public Transport Operations Grant	7 121	-	7 121
Indirect Conditional Grants			
Basic Education	2 284	113	2 397
School Infrastructure Grant	2 284	113	2 397
Health	2 118	-561	1 557
National Health Insurance Indirect Grant:	2 118	-561	1 557

ADJUSTMENTS TO WESTERN CAPE PROVINCIAL ALLOCATIONS (1 of 2)

WESTERN CAPE

R'million	Main appropriation 2021/22	Adjustment	Adjusted Allocation 2021/22
Equitable Share	54 448	2 019	56 467
Conditional Grants	13 530	36	13 566
Agriculture, Land Reform & Rural Development	180	-	180
Comprehensive Agricultural Support Programme	117	-	117
Ilima/Letsema Projects Grant	58	-	58
Land Care Programme Grant: Poverty Relief and	5	-	5
Basic Education	1 678	-	1 678
Education Infrastructure Grant	1 158	-	1 158
HIV and AIDS (Life Skills Education) Grant	20	-	20
Learners With Profound Intellectual Disabilities	29	-	29
Maths, Science and Technology Grant	36	-	36
National School Nutrition Programme Grant	434	-	434
Health	6 959	19	6 978
HIV, TB, Malaria and Community Outreach	2 148	23	2 171
<i>Community Outreach Services Component</i>	187	-	187
<i>HIV and AIDS component</i>	1 701	-	1 701
<i>Malaria component</i>	-	-	-
<i>Tuberculosis component</i>	66	-	66
<i>Mental Health Services Component</i>	16	3	19
<i>Oncology Services Component</i>	-	20	20
<i>Human Papillomavirus Vaccine Component</i>	22	-	22
<i>COVID-19 component</i>	157	-	157
Health Facility Revitalisation Grant	725	-10	715
National Health Insurance Grant (HP Contracting)	18	-	18
National Tertiary Services Grant	3 273	-	3 273
Human Resources and Training Grant	796	5	801
<i>Statutory Human Resources</i>	266	5	272
<i>Training and Development Component</i>	530	-	530

ADJUSTMENTS TO WESTERN CAPE PROVINCIAL ALLOCATIONS (2 of 2)

R'million	Main appropriation 2021/22	Adjustment	Adjusted Allocation 2021/22
Human Settlements	2 033	-	2 033
Human Settlements Development Grant	1 575	-	1 575
Informal Settlements Upgrading Partnership Grant	457	-	457
Provincial Emergency Housing Grant		-	-
Public Works & Infrastructure	69	-	69
Expanded Public Works Programme Integrated	30	-	30
Social Sector Expanded Public Works Programme			
Incentive Grant for Provinces	39	-	39
Social Development	102	17	120
Early Childhood Development Grant	102	17	120
<i>Subsidy Component</i>	90	17	107
<i>Maintenance Component</i>	13	-	13
Sport, Arts & Culture	278	-	278
Community Library Services Grant	189	-	189
Mass Participation and Sport Development Grant	89	-	89
Transport	2 232	-	2 232
Provincial Roads Maintenance Grant	1 099	-	1 099
Public Transport Operations Grant	1 133	-	1 133
Total: Adjusted national transfers	67 978	2 055	70 033

Changes to local government allocations



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CHANGES TO LOCAL GOVERNMENT GRANT ALLOCATIONS

Budget Facility for Infrastructure

- Reduction of R1.3 billion in the Public Transport Network Grant (PTNG) to correct an over-allocation for the City of Cape Town's MyCiTi public transport network
- Addition of R81 million in the Regional Bulk Infrastructure Grant to fund the potable water security and remedial works project in George Municipality

Presidential Youth Employment Intervention

- Addition of R841 million in the direct Neighbourhood Development Partnership Grant (NDPG) to fund city-led public employment programmes

Reprioritisation in the NDPG

- R90 million will be shifted from the direct component to the indirect component to fund the provision of technical assistance to ill-capacitated municipalities

Rollover in the Regional Bulk Infrastructure Grant (RBIG)

- R582 million is rolled-over in the indirect RBIG for operational payments for the Vaal River Pollution Remediation Project in Emfuleni Local Municipality

SUMMARY OF CHANGES TO LOCAL GOVERNMENT ALLOCATIONS

R million	2021/22 Main Allocation	Adjustment	2021/22 Adjusted Allocation
Direct transfers	43 143	(508)	42 636
Municipal infrastructure	15 593	-	15 593
Integrated urban development	1 009	-	1 009
Urban settlements development	7 405	-	7 405
Informal settlements upgrading partnership	3 945	-	3 945
Public transport network	6 515	(1 340)	5 175
Neighbourhood development	567	751	1 318
Integrated national electrification programme	2 003	-	2 003
Rural roads asset management systems	110	-	110
Regional bulk infrastructure	2 156	81	2 237
Water services infrastructure	3 620	-	3 620
Municipal disaster recovery	-	-	-
Energy efficiency and demand-side	221	-	221
Indirect transfers	6 920	672	7 592
Integrated national electrification programme	2 824		2 824
Neighbourhood development	91	90	181
Water services infrastructure	730		730
Regional bulk infrastructure	3 275	582	3 857
Total	50 063	165	50 228

Source: National Treasury

Adjustments to Western Cape Municipal Allocations



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Changes to Direct Grant: Reduction in the Public Transport Network Grant

2021/22 Public Transport Network Grant

	<i>2021/22 Main Allocation</i>	<i>Adjustment</i>	<i>2021/22 Adjusted Allocation</i>
R'000			
WESTERN CAPE			
A CPT City of Cape Town	2 288 640	(1 340 000)	948 640
Total: Western Cape Municipalities	2 472 019	(1 340 000)	1 132 019

Source: Division of Revenue Amendment Bill, 2021

Changes to Direct Grant: Allocations in the Regional Bulk Infrastructure Grant

2021/22 Regional Bulk Infrastructure Grant

		<i>2021/22 Main Allocation</i>	<i>Adjustment</i>	<i>2021/22 Adjusted Allocation</i>
R'000				
WESTERN CAPE				
B	WC041 Kannaland			
B	WC042 Hessequa			
B	WC043 Mossel Bay			
B	WC044 George	-	81 345	81 345
B	WC045 Oudtshoorn			
B	WC047 Bitou			
B	WC048 Knysna			
C	DC4 Garden Route District Municipality			
Total: Garden Route Municipalities		-	81 345	81 345
Total: Western Cape Municipalities		-	81 345	81 345

Source: Division of Revenue Amendment Bill, 2021

Changes to gazetted conditional grant frameworks and allocations



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FRAMEWORK CHANGES

Integrated urban development grant

- Amended to include a provision for purchasing special vehicles for waste management to ensure alignment with conditions in the *municipal infrastructure grant* as municipalities can move between the two grants

Municipal infrastructure grant

- Amended to correct for the omission of the baseline allocation of R14.8 billion in 2019/20 in the past performance section of the framework

Neighbourhood development partnership grant (NDPG)

- Amended to remove reference to the submission of Built Environment Performance Plans
- Amended to include conditions attached to the approval of funds from the Presidential Youth Employment Initiative. Conditions require cities to expand the existing Expanded Public Works Programme projects and enter into new partnerships with the private sector and civil society

Regional bulk infrastructure grant

- Amended to include the conditions attached to the approval of funding from the Budget Facility for Infrastructure for the implementation of the portable water security and remedial works project in George Local Municipality. Conditions require submission of business plan, a revised cost-benefit analysis and signing of a cofounding agreement

Thank You

The Division of Revenue Amendment Bill, 2021, which includes details of changes to allocations to each province and municipality is available at:

<http://www.treasury.gov.za/documents/mtbps/2021/default.aspx>

Annexures



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2022 Division of Revenue in the MTBPS



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2022 DIVISION OF REVENUE IN THE MTBPS

- Over the 2022 MTEF, national government resources decline at an annual average of 1.8 per cent, provincial resources increase by 0.7 per cent and local government resources increase by 4.1 per cent
- No spending reductions are proposed in the 2021 Medium Term Budget Policy Statement (MTBPS)
- Over the medium-term:
 - Allocations to provinces increase by R15.7 billion relative to the indicative allocations in the 2021 Budget
 - Allocations to local government increase by R1 billion relative to the indicative allocations in the 2021 Budget
 - Changes will be set out in more detail in the 2022 Budget Review

R billion	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	Outcome			Revised	Medium-term estimates		
Division of available funds							
National departments	634.3	749.8	790.5	817.4	764.7	743.0	774.4
of which:							
Provincial indirect grants	3.9	2.9	3.1	4.0	4.6	4.5	4.0
Local indirect grants	6.3	5.6	4.1	4.9	8.4	9.0	9.4
Provinces	572.0	613.4	628.8	661.2	658.4	647.2	676.1
Equitable share	470.3	505.6	520.7	544.8	538.8	525.3	548.9
Conditional grants	101.7	107.9	108.1	116.4	119.6	121.9	127.2
Local government	118.5	123.0	137.1	137.6	146.3	148.9	155.4
Equitable share	60.8	65.6	83.1	78.0	83.1	83.6	87.3
General fuel levy sharing with metropolitan municipalities	12.5	13.2	14.0	14.6	15.3	15.4	16.1
Conditional grants	45.3	44.2	40.0	45.0	47.9	49.9	51.9
Provisional allocations not assigned to votes ¹	–	–	–	11.0	5.3	29.3	33.1
Unallocated reserve	–	–	–	–	15.1	28.8	29.3
Projected underspending	–	–	–	-6.3	–	–	–
Non-interest allocations	1,324.8	1,486.2	1,556.4	1,620.9	1,589.8	1,597.1	1,668.3
Debt-service costs	181.8	204.8	232.6	269.2	303.1	334.6	365.8
Contingency reserve	–	–	–	3.0	5.0	5.0	5.0
Main budget expenditure	1,506.6	1,691.0	1,789.0	1,893.1	1,897.9	1,936.7	2,039.1
Percentage shares							
National departments	47.9%	50.4%	50.8%	50.6%	48.7%	48.3%	48.2%
Provinces	43.2%	41.3%	40.4%	40.9%	42.0%	42.0%	42.1%
Local government	8.9%	8.3%	8.8%	8.5%	9.3%	9.7%	9.7%

*Allocations to national government and provincial government do not take into account the following post-MTBPS changes

- A shift of R1.7 billion from national government to the provincial roads maintenance grant (PRMG) in 2022/23
- Reprioritisations of R15 million in 2022/23; R20 million in 2022/23 and R30 million in 2024/5 from the PRMG to Department of Transport to fund the central data collection system

2022 MTEF - Changes to provincial transfers



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CHANGES TO PES FORMULA AND FUNCTION SHIFTS

Provincial equitable share formula

- For the 2022 MTEF changes will be made to the health component of the formula, resulting from a recent review and an update of the risk-adjusted index – which was last updated when the was reviewed in 2010
 - Changes will be phased-in over a period of three years in order to allow for the provinces to adjust to the impact of the changes on their allocation
 - Further details will be provided in the 2022 Division of Revenue Bill

Function shifts

- *Agricultural colleges function shift*
 - DHET and DALRRD have been working closely on the agricultural colleges function shift - it is anticipated that the process will be concluded by the time of the 2022 budget
 - This will result in the Comprehensive Agricultural Support Programme Grant shifting from provinces to national government
- *ECD function shift*
 - The social development and education sectors have been working very closely along with NT and DPSA to oversee the migration of the function
 - As a result, the Early Childhood Development Grant will be shifted from Department of Social Development to the Department of Basic Education from 2022/23

CHANGES TO THE STRUCTURE OF PROVINCIAL CONDITIONAL GRANTS

Restructuring & shifting funds between the conditional grants in health

- The HIV, TB Malaria and Community Outreach Grant will be restructured from 2022/23 into two components being HIV, TB component and District Health Programme component
 - The Mental health and Oncology components will be shifted to the direct National Health Insurance Grant
- Furthermore, the Mental Health and Oncology components in the indirect National Health Insurance Grant will be shifted to the direct National Health Insurance Grant
- Funds have also been reprioritised from various components of the indirect National Health Insurance Grant to the Human Resources and Training Grant to cover the costs of medical interns and community services posts over the 2022 MTEF

Reprioritisation from Provincial Roads Maintenance Grant and the incentive component

- Due to delays in developing clear and objective criteria to allocate the incentive component in the PRMG, this allocation will be removed from the grant for 2022/23
- R15 million in 2022/23, R20 million in 2023/24 and R30 million in 2024/25 will be reprioritised from the PRMG to DoT to fund a system that will be used to centralise data collected

2022 MTEF - Changes to the structure of local government conditional grants



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CHANGES TO THE STRUCTURE OF LOCAL GOVERNMENT CONDITIONAL GRANTS

Municipal Systems Improvement Grant

- DCoG is proposing repurposing 100 per cent of the allocation to support the District Development Model

Creation of indirect component of the MIG

- Envisaged to improve efficiency in grant expenditure to develop more and better quality infrastructure
- Conversions will be done in-year
- Criteria determined by DCoG includes indicators related to expenditure and reliability of infrastructure

Application of non-financial performance in the in-year stopping and reallocation process

- To be tested in the MIG and focus on performance related to asset management
- Full set of indicators including those already identified for the MIG conversions to be scored and ranked accordingly to determine which DoRA enforcement measure is most appropriate

More details will be provided in the 2022 Division of Revenue Bill