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|  | *RAADSTEUN**PLENARY SUPPORT**INKXASO YOKUHLALA KWENDLU* |
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| DatumDateUmhla | 24 April 2023 |
| VerwysingReferenceIsalathiso | WCPP 11/1/3 |

**NEGOTIATING MANDATE**

 To: Hon D G Mahlangu, MP

 Chairperson: SC on Appropriations

Name of Bill: Division of Revenue Bill

Number of Bill: [B 2 - 2023]

Date of deliberation: 24 April 2023

Vote of Legislature: The Budget Committee reports that it confers on the Western Cape’s Permanent Delegate in the NCOP the authority to not support the Bill. The reasons for non-support is in the report attached.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: 24 April 2023

Signature

Ref Number: WCPP 11/4/3

(Negotiating Mandate stage) Report of the Budget Committee on the Division of Revenue Bill
[B 2-2023] (NCOP), dated 24 April 2023, as follows:

The Budget Committee, having considered the subject of the Division of Revenue Bill [B 2-2023] (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.

The reason for the Committee not supporting the Bill, is summarised as follows:

The 2023 Division of Revenue Bill is one of those bills that cannot be viewed and considered in isolation of other proposed legislation, and it also cannot be considered without considering preceding legislation and what the bill signifies for the future. National government has allocated 41.5% of national raised funds to provincial governments (up 1.2 percentage points from 2022 Adjustment Budget) with 10% being maintained for local governments ([National Treasury, 2023a:71](https://www.treasury.gov.za/documents/national%20budget/2023/review/Annexure%20W1.pdf)).

The Western Cape will receive:

* **R 58.886 billion** as its equitable share, which represents a 0.89% increase from the last adjustment budget. This equates to 10.38% of the total provincial equitable share for the 2023/2024 financial year.
* **R14.474 billion** in conditional grants, an increase of 3.27% increase from the last adjustment budget. This represents 11.35% of the conditional grants allocated to provinces (National Treasury, 2023b:13).

That is a **net total of R73.36 billion.**

There was an increase of **Provincial Equitable Share** from the 2022/23 Adjustment Budget to 2023/24 of R6.723 billion (1.19%). In the medium term provinces are estimated to see an increase in Provincial Equitable Share of R19.997 billion from 2023/24 to 2024/25, before an increase in 2025/26 of R26.771 billion year-on-year [(National Treasury, 2023b:32)](https://www.treasury.gov.za/legislation/bills/2023/%5BB2-2023%5D%20%28Division%20of%20Revenue%29.pdf). Currently the Western Cape, with the third largest provincial population size in South Africa, is receiving the fifth biggest (or smallest) share of the Provincial Equitable Share allocation.

Local governments in the Western Cape will receive:

* R7.343 billion as its local government equitable share, which is an **increase** of 10.16% from the 2022/23 adjustment budget allocation. In the medium-term, local government is expected to see **increases** of 9.4% in 2023/24 and 9.57% in 2024/25, year-on-year. Western Cape municipalities receive 7.61% of the total local government equitable share [(National Treasury, 2023b:42)](https://www.treasury.gov.za/legislation/bills/2023/%5BB2-2023%5D%20%28Division%20of%20Revenue%29.pdf).

**Provincial Grant Allocations for the Western Cape are as follows:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **National Dept (Vote)** | **Name of Allocation**  | **Type of Allocation** | **2022/23 Allocation** | **Adjustment 2022/23** | **2022/23 Revised estimate** | **2023/24 Allocation** | **% Increase/****Decrease** | **Increase/ Decrease** |
|  |  |  |  R ‘000  |
| Basic Education (Vote 16) | Education Infrastructure Grant  | General conditional allocation to provinces | 1 236 077 | 115 468 | 1 351 539 | 1 290 062  | -4,55 | -61 477 |
| Early Childhood Development Grant (Previously part of Social Development Vote 19) | Conditional allocation | 95 866 |  | 95 866 |  100 076  | 4,39 | 4 210 |
| HIV and AIDs (Life Skills Education) Grant  | Conditional allocation | 17 822 | - | 17 822 |  18 071  | 1,40 | 249 |
| Learners with Profound Intellectual Disabilities Grant  | Conditional allocation | 33 451 | 7 441 | 40 892 |  34 080  | -16,66 | 6 812 |
| Maths, Science and Technology Grant  | Conditional allocation | 37 814 | 8 242 | 46 056 |  37 135  | -19,37 | -8 921 |
| National School Nutrition Programme Grant | Conditional allocation | 451 289 |  | 451 289 |  496 802  | 10,09 | 45 513 |
| Health (Vote 18) | National Tertiary Services Grant  | General conditional allocation to provinces  | 3 401 057 |  | 3 401 057 | 3 332 007  | -2,03 | -69 050 |
| District Health Programmes Grant  | Conditional allocation | 2 268 294 |  | 2 268 294 | 2 049 145  | -9,66 | -219 149 |
| Health Facility Revitalisation Grant  | Conditional allocation  | 796 590 | 56 500 | 853 090 |  883 298  | 3,54 | 30 208 |
| Human Resources and Training Grant  | Conditional allocation | 899 442 |  | 899 442 |  887 123  | -1,37 | -12 319 |
| National Health Insurance Grant  | Nationally assigned function to provinces | 43 605 | -8 641 | 34 964 |  36 225  | 3,61 | 1 261 |
| Transport (Vote 40) | Provincial Roads Maintenance Grant  | General conditional allocation to provinces | 960 309 |  | 960 309 | 1 425 471  | 48,44 | 465 162 |
| Public Transport Operations Grant  | Nationally assigned function to provinces | 1 127 813 |  | 1 127 813 | 1 177 519  | 4,41 | 49 706 |
| Agriculture, Land Reform and Rural Development (Vote 29) | Comprehensive Agricultural Support Programme Grant  | Conditional allocation | 122 087 |  | 122 087 |  121 653  | -0,36 | -434 |
| Ilima/Letsema Projects Grant  | Conditional allocation | 58 993 |  | 58 993 |  59 979  | 1,67 | 986 |
| Land Care Programme Grant: Poverty Relief and Infrastructure Development  | Conditional allocation | 5 532 |  | 5 532 |  5 680 | 2,68 | 148 |
| Human Settlements (Vote 33) | Human Settlements Development  | Conditional allocation | 1 628 418 |  | 1 628 418 | 1 701 511  | 4,49 | 73 093 |
| Informal Settlements Upgrading Partnership Grant: Provinces  | Conditional allocation | 484 638 | 5 196 | 489 834 |  505 998  | 3.3 | 21 360 |
| Public Works and Infrastructure (Vote 13) | Expanded Public Works Programme Integrated Grant for Provinces  | Conditional allocation | 30 139 |  | 30 139 |  20 798  | -30,99 | -9 341 |
| Social Sector Expanded Public Works Programme Incentive Grant for Provinces  | Conditional allocation | 35 745 |  | 35 745 |  35 652  | -0,26 | -93 |
| Sports, Arts and Culture (Vote 37) | Community Library Services Grant  | Conditional allocation | 190 102 |  | 190 102 |  193 331  | 1,70 | 3 229 |
| Mass Participation and Sport Development Grant  | Conditional allocation | 91 221 |  | 91 221 |  62 516  | -31,47 | -28 705 |

**Specific Purpose Allocations to Municipalities:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of Grant**  | **Category** | **Municipality**  | **2022/23 Allocation** | **Adjustment 2022/2023** | **2022/23 Adjusted Allocation** | **2023/24 Allocation** | **% Increase/****Decrease** | **Increase/ Decrease** |
|  |  |  | R ‘000 |
| **Infrastructure Skills Development Grant**  | A | City of Cape Town | 11 446 | - | 11 446 |  9 000  | -21,37 | -2 446 |
| B | George  | 6 000 | - | 6 000 |  6 500  | 8,33 | 500 |
| **Local Government Financial Management Grant**  | A | City of Cape Town | 1 000 | - | 1 000 |  1 000  | - | -  |
| B | Matzikama  |  1 771  | - | 1 771 |  1 771  | - |  -  |
| B | Cederberg |  2 132  | - | 2 132 |  2 132  | - | - |
| B | Bergrivier |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Saldanha Bay |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Swartland |  1 550  | - | 1 550 |  1 550  | - | - |
| C | West Coast District Municipality  |  1 000  | - | 1 000 |  1 000  | - | - |
| B | Witzenberg |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Drakenstein  |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Stellenbosch |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Breede Valley |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Langeberg |  1 550  | - | 1 550 |  1 550  | - | - |
| C | Cape Winelands District Municipality  |  1 000  | - | 1 000 |  1 000  | - | - |
| B | Theewaterskloof |  1 650  | - | 1 650 |  1 700  | 3,03 | 50 |
| B | Overstand  |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Cape Agulhas  |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Swellendam  |  1 720  | - | 1 720 |  1 770  | 2,91 | 50 |
| C | Overberg District Municipality |  1 000  | - | 1 000 |  1 000  | - | - |
| B | Kannaland  |  2 932  | - | 2 932 |  2 932  | - | - |
| B | Hessequa |  1 550  | - | 1 550 |  1 550  | - | - |
| B | Mossel Bay |  1 550  | - | 1 550 |  1 566  | 1,03 | 16 |
| B | George  |  1 721  | - | 1 721 |  1 771  | 2,91 | 50 |
| B | Oudtshoorn  |  2 800  | - | 2 800 |  2 802  | 0,07 | 2 |
| B | Bitou |  1 721  | - | 1 721 |  1 771  | 2,91 | 50 |
| B | Knysna  |  1 721  | - | 1 721 |  1 771  | 2,91 | 50 |
| C | Garden Route District Municipality |  1 000  | - | 1 000 |  1 000  | - | -  |
| B | Laingsburg |  1 750  | - | 1 750 |  1 800  | 2,86 | 50 |
| B | Prince Albert  |  1 650  | - | 1 650 |  1 700  | 3,03 | 50 |
| B | Beaufort West |  2 085  | - | 2 085 |  2 185  | 4,80 | 100 |
| C | Central Karoo District Municipality |  1 000  | - | 1 000 |  1 000  | - | -  |
| **Expanded Public Works Programme Integrated Grant for Municipalities**  | A | City of Cape Town | 42 406 | - | 42 406 |  62 588  | 47,59 | 20 182 |
| B | Matzikama  |  1 569  | - | 1 569 |  3 028  | 92,99 | 1 459 |
| B | Cederberg |  1 359  | - | 1 359 |  1 658  | 22,00 | 299 |
| B | Bergrivier |  1 662  | - | 1 662 |  2 873  | 72,86 | 1 211 |
| B | Saldanha Bay |  2 907  | - | 2 907 |  2 125  | -26,90 | -782 |
| B | Swartland |  1 873  | - | 1 873 |  1 830  | -2,30 | -43 |
| C | West Coast District Municipality  |  1 194  | - | 1 194 |  1 242  | 4,02 | 48 |
| B | Witzenberg |  2 237  | - | 2 237 |  3 439  | 53,73 | 1 202 |
| B | Drakenstein  |  4 139  | - | 4 139 |  4 363  | 5,41 | 224 |
| B | Stellenbosch |  4 928  | - | 4 928 |  4 786  | -2,88 | -142 |
| B | Breede Valley |  3 301  | - | 3 301 |  5 072  | 53,65 | 1 771 |
| B | Langeberg |  2 647  | - | 2 647 |  3 362  | 27,01 | 715 |
| C | Cape Winelands District Municipality  |  1 369  | - | 1 369 |  2 405  | 75,68 | 1 036 |
| B | Theewaterskloof |  2 077  | - | 2 077 |  1 684  | -18,92 | -393 |
| B | Overstand  |  2 593  | - | 2 593 |  3 565  | 37,49 | 972 |
| B | Cape Agulhas  |  1 773  | - | 1 773 |  2 181  | 23,01 | 408 |
| B | Swellendam  |  1 497  | - | 1 497 |  1 541  | 2,94 | 44 |
| C | Overberg District Municipality |  1 123  | - | 1 123 |  1 192  | 6,14 | 69 |
| B | Kannaland  |  1 031  | - | 1 031 |  1 220  | 18,33 | 189 |
| B | Hessequa |  1 164  | - | 1 164 |  1 174  | 0,86 | 10 |
| B | Mossel Bay |  1 935  | - | 1 935 |  4 589  | 137,16 | 2 654 |
| B | George  |  1 990  | - | 1 990 |  4 420  | 122,11 | 2 430 |
| B | Oudtshoorn  |  1 310  | - | 1 310 |  1 672  | 27,63 | 362 |
| B | Bitou |  1 155  | - | 1 155 |  1 879  | 62,68 | 724 |
| B | Knysna  |  1 044  | - | 1 044 |  1 264  | 21,07 | 220 |
| C | Garden Route District Municipality |  2 440  | - | 2 440 |  2 180  | -10,66 | -260 |
| B | Laingsburg |  1 074  | - | 1 074 |  1 173  | 9,22 | 99 |
| B | Prince Albert  |  1 237  | - | 1 237 |  1 098  | -11,24 | -139 |
| B | Beaufort West |  1 136  | - | 1 136 |  1 372  | 20,77 | 236 |
| C | Central Karoo District Municipality |  1 321  | - | 1 321 |  2 451  | 85,54 | 1 130 |
| **Programme and Project Preparation Support Grant** | A | City of Cape Town  | 65 970 | - | 65 970 |  68 877  | 4,41 | 2 907 |

**Infrastructure Grant Allocations to Municipalities:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of Grant**  | **Category** | **Municipality**  | **2022/23 Allocation** | **Adjustment 2022/2023** | **2022/23 Adjusted Allocation** | **2023/24 Allocation** | **% Increase/ Decrease** | **Increase/****Decrease** |
|  |  |  | R ‘000 |
| **Municipal Disaster Recovery Grant** | C | Cape Winelands District Municipality | - | 10 310 | 10 310 | - | - | -10 310 |
| C | Overberg District Municipality | - | 15 493 | 15 493 | - | - | -15 493 |
| C | Garden Route District Municipality | - | 264 161 | 264 161 | - | - | -264 161 |
| **Municipal Infrastructure Grant** | B | Matzikama  |  23 817  | - |  23 817  |  24 716  | 3,77 | 899 |
| B | Cederberg |  17 309  | - |  17 309  |  17 896  | 3,39 | 587 |
| B | Bergrivier |  16 017  | - |  16 017  |  16 543  | 3,28 | 526 |
| B | Saldanha Bay |  21 634  | - |  21 634  |  29 287  | 35,37 | 7 653 |
| B | Swartland |  33 810  | - |  33 810  |  24 708  | -26,92 | -9 102 |
| B | Witzenberg | 25 091 | - | 25 091 |  26 051  | 3,83 | 960 |
| B | Breede Valley |  44 987  | - |  44 987  |  40 609  | -9,73 | -4 378 |
| B | Langeberg |  24 597  | - |  24 597  |  25 533  | 3,81 | 936 |
| B | Theewaterskloof |  29 728  | - |  29 728  |  30 909  | 3,97 | 1 181 |
| B | Overstand  |  24 628  | - |  24 628  |  25 565  | 3,80 | 937 |
| B | Cape Agulhas  |  11 929  | - |  11 929  |  12 260  | 2,77 | 331 |
| B | Swellendam  |  13 005  | - |  13 005  |  13 387  | 2,94 | 382 |
| B | Kannaland  |  11 083  | - |  11 083  |  11 373  | 2,62 | 290 |
| B | Hessequa |  24 982  | - |  24 982  |  15 459  | -38,12 | -9 523 |
| B | Mossel Bay |  27 046  | - |  27 046  |  28 098  | 3,89 | 1 052 |
| B | George  |  45 508  | - |  45 508  | - | -100,00 | -45 508 |
| B | Oudtshoorn  |  33 325  | - |  33 325  |  25 248  | -24,24 | -8 077 |
| B | Bitou |  22 508  | - |  22 508  |  23 344  | 3,71 | 836 |
| B | Knysna  |  39 114  | - |  39 114  |  29 218  | -25,30 | -9 896 |
| B | Laingsburg |  6 870  | - |  6 870  |  14 959  | 117,74 | 8 089 |
| B | Prince Albert  |  7 956  | - |  7 956  |  8 097  | 1,77 | 141 |
| B | Beaufort West |  15 353  | - |  15 353  |  15 849  | 3,23 | 496 |
| **Energy Efficiency and Demand Side Management Grant**  | A | City of Cape Town | 9 000 | - | 9 000 |  9 000  | - | - |
| B | Saldanha Bay | - | - | - |  4 000  | - | 4 000 |
| B | Breede Valley | 4 000 | - | 4 000 |  4 000  | - | - |
| B | Theewaterskloof | - | - | - |  4 000  | - | 4 000 |
| B | Overstrand | * 5 000
 | - | 5 000 |  4 200  | -16,00 | -800 |
| B | Hessequa | 4 000 | - | 4 000 |  4 000  | 0,00 | - |
| B | Mossel Bay  | * 2 500
 | -  | 2 500 | - | -100,00 | -2 500 |
| C | Garden Route District Municipality | * 5000
 | - | 5000 |  4 000  | -20,00 | -1 000 |
| **Integrated National Electrification Programme (Municipal) Grant**  | B | Matzikama | - | - | - |  8 325  | - | 8 325 |
| B | Cederberg | 24 000 | - | 24 000 |  37 997  | 58,32 | 13 997 |
| B | Saldanha Bay | - | - | - |  14 324  | - | 14 324 |
| B | Swartland | 17 600 | - | 17 600 |  23 658  | 34,42 | 6 058 |
| B | Witzenberg | - | - | - |  3 900  | - | 3 900 |
| B | Drakenstein  |  10 000  | - |  10 000  |  10 000  | - | - |
| B | Stellenbosch |  28 350  | - |  28 350  |  22 750  | -19,75 | -5 600 |
| B | Breede Valley |  15 000  | - |  15 000  |  20 238  | 34,92 | 5 238 |
| B | Langeberg | - | - | - |  460  | - | 460 |
| B | Overstand  |  21 331  | - |  21 331  |  24 380  | 14,29 | 3 049 |
| B | Cape Agulhas  |  4 348  | - |  4 348  | - | -100,00 | -4 348 |
| B | Hessequa |  2 893  | - |  2 893  |  3 700  | 27,89 | 807 |
| B | Mossel Bay |  13 061  | - |  13 061  |  12 007  | -8,07 | -1 054 |
| B | George  |  38 036  | - |  38 036  |  6 346  | -83,32 | -31 690 |
| B | Bitou |  8 718  | - |  8 718  |  3 774  | -56,71 | -4 944 |
| B | Knysna  |  10 730  | - |  10 730  |  43 754  | 307,77 | 33 024 |
| B | Prince Albert | - | - | - | 490 | - | 490 |
| B | Beaufort West | 11 000 | - | 11 000 | - | -100,00 | -11 000 |
| **Rural Roads Asset Management Systems Grant** | C | West Coast District Municipality  | 2 707 | - | 2 707 |  2 718  | 0,41 | 11 |
| C | Cape Winelands District Municipality  | 28 777 | - | 28 777 |  2 888  | -89,96 | -25 889 |
| C | Overberg District Municipality | 2 835 | - | 2 835 | 2 846  | 0,39 | 11 |
| C | Garden Route District Municipality | 2 594 | - | 2 594 |  2 754  | 6,17 | 160 |
| C | Central Karoo District Municipality | 2 055 | - | 2 055 |  2 063  | 0,39 | 8 |
| **Regional Bulk Infrastructure Grant** | B | Matzikama  | 10 000 | - | 10 000 | - | -100,00 | -10 000 |
| B | Witzenberg | 19 239 | - | 19 239 | - | -100,00 | -19 239 |
| B | Drakenstein |  | - | - |  305 310  | New allocation | 305 310 |
| B | George | 240 648 | - | 240 648 |  375 138  | 55,89 | 134 490 |
| **Water Services Infrastructure Grant** | B | Matzikama  | 9 196 | - | 9 196 |  11 000  | 19,62 | 1 804 |
| B | Cederberg |  | - | - |  5 000  | - | 5 000 |
| B | Bergrivier | 3 150 | - | 3 150 |  10 000  | 217,46 | 6 850 |
| B | Witzenberg | 15 701 | - | 15 701 | -  | -100,00 | -15 701 |
| B | Drakenstein  |  | - | - | 16 000  | - | 16 000 |
| B | Breede Valley | 5 107 | - | 5 107 | -  | -100,00 | -5 107 |
| B | Theewaterskloof |  | - | - |  10 700  | - | 10 700 |
| B | Overstand  |  27 439  | - |  27 439  |  5 000  | -81,78 | -22 439 |
| B | Cape Agulhas  |  17 000  | - |  17 000  |  5 000  | -70,59 | -12 000 |
| B | Swellendam  |  6 437  | - |  6 437  |  5 893  | -8,45 | -544 |
| B | Kannaland  | - | - | - |  5 000  | - | 5 000 |
| B | Hessequa |  |  |  |  8 300  | - | 8 300 |
| B | George  | - | - | - |  3 820  | - | 3 820 |
| B | Oudtshoorn | - | - | - |  10 000  | New allocation | 10 000 |
| B | Bitou | 9 079 | - | * 9 079
 | -  | -100,00 | -9 079 |
| B | Knysna  | - | - | - |  3 400  | - | 3 400 |
| B | Laingsburg |  17 360  | - |  17 360  |  34 133  | 96,62 | 16 773 |
| B | Prince Albert |  6 552  | - |  6 552  |  10 000  | 52,63 | 3 448 |
| B | Beaufort West |  28 439  | - |  28 439  | - | -100,00 | -28 439 |
| **Integrated Urban Development Grant**  | B | Drakenstein  |  61 989  | - |  61 989  |  58 616  | -5,44 | -3 373 |
| B | Stellenbosch |  65 747  | - |  65 747  |  59 410  | -9,64 | -6 337 |
| B | George | - | - | - |  67 450  | New allocation | 67 450 |
| **Informal Settlements Upgrading Partnership Grant: Municipalities**  | A | City of Cape Town |  549 012 | - |  549 012 | 573 210  | 4,41 | 24 198 |
| **Urban Settlements Development Grant** | A | City of Cape Town | 965 544 | - | 965 544 | 1 008 100  | 4,41 | 42 556 |
| **Neighbourhood Development Partnership Grant (Capital**)  | A | City of Cape Town | 175 699 | - | 175 699 |  250 890  | 42,80 | 75 191 |
| B | Drakenstein | - | - | - |  10 000  | New allocation | 10 000 |
| B | Langeberg | 5 000 | - | 5 000 |  9 272  | 85,44 | 4 272 |
| B | George |  |  |  |  5 000  | New allocation | 5 000 |
| B | Knysna  | 5 000 | - | 5 000 |  15 000  | 200,00 | 10 000 |
| **Public Transport Network Grant**   | A | City of Cape Town | 1 314 261 | - | 1 314 261 | 1 777 845  | 35,27 | 463 584 |
| B | George  | 191 410 | - | 191 410 |  144 823  | -24,34 | -46 587 |

**Allocations-in-kind to Municipalities:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Name of Grant**  | **Category** | **Municipality**  | **2022/23 Allocation** | **Adjustment 2022/2023** | **2022/23 Adjusted Allocation** | **2023/24 Allocation** | **% Increase/ Decrease** | **Increase/ Decrease** |
|  |  |  | R ‘000 |
| **Municipal Systems Improvement Grant** |  |  |  |  |  |  |  |  |
| C | Garden Route District Municipality | 1405 |  | 1405 | 1 000 | -28,83 | -405 |
| **Integrated National Electrification Programme (Eskom) Grant** | A | City of Cape Town | 133 461 |  | 133 461 |  62 349  | -53,28 | -71112 |
| B | Matzikama | 4 493 |  | 4 493 | - | -100,00 | -4493 |
| B | Cederberg | 9 072 |  | 9 072 |  31 275  | 244,74 | 22203 |
| B | Saldanha Bay | 7 476 |  | 7 476 |  7 503  | 0,36 | 27 |
| B | Swartland | 17646 |  | 17646 |  5 168  | -70,71 | -12478 |
| B | Stellenbosch | 255 |  | 255 |  123  | -51,76 | -132 |
| B | Breede Valley | 14 901 |  | 14 901 |  5 796  | -61,10 | -9105 |
| B | Theewaterskloof | 6 674 |  | 6 674 |  1 883  | -71,79 | -4791 |
| B | George  | 5 355 |  | 5 355 | -  | -100,00 | -5355 |
| B | Oudtshoorn | - |  | - |  166  | New allocation | 166 |
| B | Knysna | - |  | - |  290  | New allocation | 290 |
| **Neighbourhood Development Partnership Grant (Technical Assistance)** | A | City of Cape Town | 5 000 |  | 5 000 |  2 500  | -50,00 | -2500 |
| B | Drakenstein  | 100 |  | 100 | - | -100,00 | -100 |
| B | Langeberg | 100  |  | 100 |  100  | 0,00 |  |
| B | George | 2 500 |  | 2 500 |  1 300  | -48,00 | -1200 |
| B | Knysna  |  2 000  |  |  2 000  |  100  | -95,00 | -1 900 |
| **Regional Bulk Infrastructure Grant**  | B | Cederberg | 15 197 |  | 15 197 |  15 153  | -0,29 | -44 |

**Municipal Infrastructure Grant and Regional Bulk Infrastructure Grant:**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Project Name**  | **Category** | **Municipality**  |  | **2023/24 Allocation**  |  | **Increase/Decrease** |
|  |  |  |  | R ‘000 |
| Upgrading of St Helena Bay Sport Field | B | Saldanha Bay |  |  6 858  |  | 6 858  |
| Construction of Bersig Sport Field | B | Laingsburg |  | 8 000  |  | 8 000 |
| Clanwilliam /Lambertsbaai Regional Water Supply and Desalination | B | Cederberg  |  |  15 153  |  |  15 153  |
| Drakenstein Local Municipality - Sanitation Infrastructure Project | B | Drakenstein |  |  305 310  |  |  305 310  |
| Portable Water Security and Remedial Works | B | George |  |  375 138  |  |  375 138  |

The 2023 Division of Revenue Bill (DORB) does not ensure that the Western Cape receives its fair share. The Western Cape receives the 5th largest, and smallest, share of the Provincial Equitable Share (PES) among all provinces. A government that has received 100% unqualified audit reports for all its departments, as the Western Cape Government has for 2021/22, should be rewarded for their fiscal discipline with additional funding. Instead, the province is being punished with a R1.9 billion baseline cut in funding over the MTEF. This second-round impact is on top of a R500 million first-round impact, while the third-round impact against the baseline will only become clear during the 2023 Medium-term Budget Policy Statement.

The PES formula, despite repeated calls from this committee, still leaves several key areas as unfunded. Special needs learners are not considered for the Education PES calculation, and there are no provisions for gender-based violence or safety. Also absent are criteria for good governance, which leads to incompetent governments being rewarded with additional funding, while provinces that have proven their ability to deliver quality services receive less funding.

Overall, the Western Cape’s conditional grant allocations over the MTEF will increase by 1.9% (Western Cape Provincial Treasury, 2023b:121). Inflation reached 7.1% year-on-year in March 2023, up from 7.0% year-on-year in February 2023. This means that any increased allocation received, that is below these figures, is in fact a budget cut.

Due to provincial equitable share data input, the Western Cape will see a R1.5 billion decrease in primary healthcare funding over the Medium-term Expenditure Framework (MTEF) (Western Cape Provincial Treasury, 2023b:118). The Western Cape has also been left far behind in the allocation of conditional grants related to health, with the province ranking 6th out of all provinces in terms of their District Health Grant allocation, and 8th for the National Health Insurance Grant allocation (National Treasury, 2023b:47). Homecare for patients is notably not included in the PES formula, meaning that especially care for the elderly and disabled does not factor into health allocations for provinces.

Another area of concern in this bill is the substantial reductions that the province will see in grants for Education. The Maths, Science and Technology Grant (19.37%), the Learners with Profound Intellectual Disabilities Grant (16.66%) and the Education Infrastructure Grant (4.55%) all see less money coming to the Western Cape year-on-year (Western Cape Provincial Treasury, 2023a:177).

Despite around 88 000 of the 112 000 first time students in the Western Cape over the past five years coming from the Eastern Cape, the Western Cape still receives around R600 million less than the Eastern Cape for education infrastructure. In addition, the Western Cape last year spent 100% of its Education Infrastructure Grant, while provinces like the Eastern Cape and Mpumalanga have failed to do so, last year saw their infrastructure funding redistributed to provinces, like the Western Cape, who have the capacity and will to use it. Still, the Western Cape only receives 5th most funding for Education Infrastructure, meaning that once again the Western Cape is being punished for good governance (National Treasury, 2023b:43).

In other important education grants, the Western Cape ranks in the bottom half of all provinces by allocation, ranking 6th for the HIV/AIDS Life Skills Education Grant, 7th for the Early Childhood Development Grant, and 8th for the National School Nutrition Programme Grant (National Treasury, 2023b:46). It must be noted that the Western Cape was the only province to feed children at school during COVID, the rest of the country took the rest of the provinces to court for not feeding children, and they won. Once again, this provincial government is being disadvantaged for serving our residents.

For Human Settlements, an area of great need in the Western Cape due to rising population, the province will rank below both Gauteng and Kwa-Zulu Natal in the allocations for the Human Settlements Development Grant, and the Informal Settlements Upgrading Partnership Grant, receiving less than half of Gauteng’s allocation in both instances.

The Western Cape also receives the third lowest allocation of any province for the Extended Public Work Programme grant, meaning that less money is available for job creation in the province. The Mass Participation and Sport Development Grant sees a 31.47% cut in funding year on year, with the Western Cape again ranking 5th for this allocation (National Treasury, 2023b:49).

In terms of grants for Agriculture, a massive source of employment in the Western Cape, the province ranks second-last in the allocations of the Comprehensive Agricultural Support Programme (CASP) grant, the Ilima/Letsema Projects grant, and the LandCare Programme grant. The allocations are comparable to those of Gauteng, a much less agriculture intensive provincial economy.

No new conditional grants to enable provinces to deal with the energy disaster have been created. It must be noted that a total of R517 million in provincial and municipal disaster response funding remains unallocated (National Treasury, 2023b:54). Should this money have been split equally between provinces, equitable share notwithstanding, each province would have had a an additional R57 million to mitigate the effects of loadshedding on residents. In terms of the Western Cape Government’s energy response, this money would have roughly funded, over the MTEF, the entire R55.5 million budget for alternative energy support for SMMEs, or almost the entire budget of R60 million for emergency power packs or Green Hydrogen Development (Western Cape Provincial Treasury, 2023b:110).

According to Eskom’s latest annual report, the entity had irregular expenditure of R67.1 billion in the 2021/22 financial year. The Western Cape’s entire R1.1 billion budget for energy over the MTEF amounts to 1.64% of Eskom’s irregular expenditure, and yet National Government has seen fit to take on even more of Eskom’s debt, rather than capacitating competent provincial governments to address the energy crisis on another front. The Western Cape’s PES allocation is R58.9 billion, this means that Eskom’s irregular expenditure could have paid for the whole Western Cape Government budget, with almost R10 billion in change, which is the equivalent of almost 10 Western Cape Energy Response plans.

In addition, this bill does not make sufficient provision for the public wage increase which has been [reported at 7.5%](https://pscbc.co.za/index.php?view=article&id=221:press-release-conclusion-of-the-public-service-wage-negotiations&catid=12), with the result that money will need to be moved from service delivery targets to cover the higher than expected wage increase. This Bill further allocated no money to fight corruption.

The DORB further reports that “[g]ross loan debt is expected to increase from R4.73 trillion (71.1 per cent of GDP) in 2022/23 to R5.06 trillion (72.8 per cent of GDP) in 2023/24 and will peak at R5.84 trillion (73.6 per cent of GDP) in 2025/26.” This all while, Eskom will be bailed out to the tune of R254 billion. South Africa cannot continue to borrow to fund expenditure in this manner. The poorest people will have to bear the biggest impact of this bill. This bill will bring more suffering to the poorest people within South Africa due to it having become an incapable state.

The Committee welcomes the following:

1. Clauses regarding the process regarding litigation and intergovernmental disputes;
2. The review of criteria and objectives of grants, such as the Emergency Housing grant being closed and forming part of departmental funding, for better spending objectives; and
3. Clauses tightening up procedures regarding non-spending of conditional grants that go directly to local government municipalities.

**Minority View**

In terms of Standing Rule 90, the African National Congress and Al Jama-ah expressed its minority view to support the Bill.

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ADV D BAARTMAN, MPP

CHAIRPERSON: BUDGET COMMITTEE

DATE: 24 April 2023

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