

# 2023 DIVISION OF REVENUE AMENDMENT BILL

Briefing for the Western Cape Provincial Legislature

PRESENTED BY:

National Treasury

Division: IGR

Date: 23 November  
2023



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Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Outline

- Overview of the 2023 Division of Revenue Amendment Bill
  - Changes to schedules
  - Changes to provincial allocations
  - Changes to local government allocations
- Annexures
  - 2024 Division of Revenue in the MTBPS

# Division of Revenue Amendments Bill – Proposed amendments

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

Division of Revenue Act

[Act 5 of 2023]

Government Gazette

No. 48865  
30 June 2023

Division of Revenue Amendment Bill

[B 33-2023]

Act passed by Parliament and signed by the President in June 2023, 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

215-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)

Bill tabled on 01 November 2023 contains:

- In-year adjustments to allocations, consistent with limitations in S30 of the PFMA
- Request to correct a gazetted framework

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 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 to maximise transparency in the adjustment process
- “Column A” is amended for schedules 1, 2, 3, 4 (Parts A and B), 5(Parts A and B),6 (Parts A and B) and 7 (Part B)

Schedule 1 from 2023 DoRA

Spheres of Government	Column A	Column B	
	2023/24	Forward Estimates	
		2024/25	2025/26
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
National <sup>1,2</sup>	1 370 506 087	1 446 672 800	1 542 867 018
Provincial	567 527 713	587 499 698	614 270 842
Local	96 546 258	103 772 035	109 368 064
<b>TOTAL</b>	<b>2 034 580 058</b>	<b>2 137 944 533</b>	<b>2 266 505 924</b>

Schedule 1 from 2023 DoRAB

Spheres of Government	Column A		
	2023/24 Main Allocation	Adjustment	2023/24 Adjusted Allocation
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
National <sup>1,2</sup>	1 370 506 089	(2 555 077)	1 367 951 012
Provincial	567 527 713	17 558 206	585 085 919
Local	96 546 258	(1 357 517)	95 188 741
<b>TOTAL</b>	<b>2 034 580 060</b>	<b>13 645 612</b>	<b>2 048 225 672</b>

# Changes to provincial allocations in 2023/24



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# Additions

- Additions are made in PES for health and education to compensate for the 2023/24 wage implication
- Additions are based on the headcount per province in health and education

<b>R million</b>	<b>Original PES allocation</b>	<b>Additions to PES</b>	<b>Revised PES allocation</b>
Eastern Cape	73 292	2 313	75 605
Free State	31 380	1 049	32 429
Gauteng	120 752	3 713	124 465
KwaZulu-Natal	115 948	3 775	119 722
Limpopo	65 349	2 010	67 359
Mpumalanga	46 674	1 377	48 051
Northern Cape	15 150	422	15 573
North West	40 096	1 193	41 289
Western Cape	58 886	1 707	60 593
<b>Total</b>	<b>567 528</b>	<b>17 558</b>	<b>585 086</b>

# Reprioritisation and Rollovers

## Reprioritisation

- R57 million is reprioritised from the *school infrastructure backlogs grant* to the vote of the national Department of Basic Education. Of this amount R32 million will fund compensation of employees pressures; and R25 million will fund information and communication technology upgrades in the national Department of Basic Education

## Rollover

- R137 million is rolled over in the *school infrastructure backlogs grant*. Of this amount, R93 million is for the completion of projects of the Sanitation Appropriate for Education initiative for schools; R26 million is for the completion of projects of the Accelerated Schools Infrastructure Delivery Initiative; and R18 million is for associated management costs. The funds are for schools in Eastern Cape, KwaZulu-Natal and Limpopo

# Reductions

R thousands	2023/24
<b>Direct Transfers</b>	<b>-6 226 195</b>
<b>Agriculture</b>	<b>-167 229</b>
Comprehensive Agricultural Support Programme Grant	-124 859
Ilima/Letsema Projects Grant	-35 500
LandCare Programme Grant	-6 870
<b>Basic Education</b>	<b>-1 730 558</b>
Early Childhood Development Grant	-58 053
Education Infrastructure Grant	-1 594 911
HIV and AIDS (Life Skills Education) Grant	-27 790
Maths Science Technology Grant	-49 804
<b>Health</b>	<b>-1 440 000</b>
District Health Programmes Grant	-1 000 000
Health Facility Revitalisation Grant	-440 000
<b>Human Settlements</b>	<b>-2 165 681</b>
Human Settlements Development Grant	-1 688 968
Informal Settlements Upgrading Partnership Grant	-476 713
<b>Public Works</b>	<b>-61 727</b>
Expanded Public Works Programme Integrated Grant for Provinces	-31 160
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	-30 567
<b>Sports, Arts and Culture</b>	<b>-111 000</b>
Community Library Services Grant	-68 000
Mass Participation and Sport Development Grant	-43 000
<b>Transport</b>	<b>-550 000</b>
Provincial Roads Maintenance Grant	-550 000
<b>Indirect transfers</b>	<b>-316 539</b>
<b>Basic Education</b>	<b>-316 539</b>
School Infrastructure Backlogs Grant	-316 539
<b>Total</b>	<b>-6 542 734</b>

- Only conditional grants were reduced in-year
- PES was spared from in-year reductions
- The *school infrastructure backlogs grant* reduction includes the reprioritisation of R57 million. Of the R260 million reduced, R175 million forms part of the budget consolidation as a reduction for this grant and R85 million is reduced to lower a reduction on the *early childhood development grant*
- The *national school nutrition programme grant* has been protected and a larger reduction is made to *education infrastructure grant*

# Changes to gazetted frameworks & allocations

- Section 15(4) of the Division of Revenue Act, 2023, requires National Treasury to consult Parliament on any proposed changes to a conditional grant framework for the purposes of correcting an error or omission

## Changes to allocations

- ***Expanded public works programme integrated grant for provinces:*** Allocations of R3 million and R4 million that were previously allocated to the former Western Cape departments of Human Settlements, and Transport and Public Works respectively have been combined to a single allocation for the new provincial Department of Infrastructure

# Adjustments to Western Cape provincial allocations for 2023/24 <sup>(1/2)</sup>

Western Cape	Main appropriation: 2023/24	Total adjustments: Equitable share	Adjustments: Conditional grants		Total: 2023/24 Adjustments	National adjusted appropriation: 2023/24
			Reductions	Total adjustments: Conditional grants		
<b>R thousand</b>						
<b>Transfers from National</b>	<b>73 360 261</b>	<b>1 706 703</b>	<b>-642 284</b>	<b>-642 284</b>	<b>1 064 419</b>	<b>74 424 680</b>
<i>of which</i>						
<b>Equitable share</b>	<b>58 886 129</b>	<b>1 706 703</b>	<b>-</b>	<b>-</b>	<b>1 706 703</b>	<b>60 592 832</b>
<b>Conditional grants</b>	<b>14 474 132</b>	<b>-</b>	<b>-642 284</b>	<b>-642 284</b>	<b>-642 284</b>	<b>13 831 848</b>
<i>of which</i>						
<b>Agriculture, Land Reform and Rural Development</b>	<b>187 312</b>	<b>-</b>	<b>-10 830</b>	<b>-10 830</b>	<b>-10 830</b>	<b>176 482</b>
Comprehensive Agricultural Support Programme Grant	121 653	-	-9 450	-9 450	-9 450	112 203
Ilima/Letsema Projects Grant	59 979	-	-1 000	-1 000	-1 000	58 979
Land Care Programme Grant: Poverty Relief and	5 680	-	-380	-380	-380	5 300
<b>Basic Education</b>	<b>1 976 226</b>	<b>-</b>	<b>-178 273</b>	<b>-178 273</b>	<b>-178 273</b>	<b>1 797 953</b>
Early Childhood Development	100 076	-	-14 038	-14 038	-14 038	86 038
<i>Maintenance Component</i>	14 038	-	-14 038	-14 038	-14 038	-
<i>Subsidy Component</i>	86 038	-	-	-	-	86 038
Education Infrastructure Grant	1 290 062	-	-156 875	-156 875	-156 875	1 133 187
HIV and AIDS (Life Skills Education) Grant	18 071	-	-3 088	-3 088	-3 088	14 983
Learners With Profound Intellectual Disabilities Grant	34 080	-	-	-	-	34 080
Maths, Science and Technology Grant	37 135	-	-4 272	-4 272	-4 272	32 863
National School Nutrition Programme Grant	496 802	-	-	-	-	496 802
<b>Cooperative Governance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Provincial Disaster Relief Grant						
Provincial Disaster Recovery Grant						
<b>Health</b>	<b>7 187 798</b>	<b>-</b>	<b>-121 103</b>	<b>-121 103</b>	<b>-121 103</b>	<b>7 066 695</b>
District Health Programmes Grant	2 049 145	-	-66 516	-66 516	-66 516	1 982 629
<i>Comprehensive HIV/AIDS Component</i>	1 831 381	-	-66 516	-66 516	-66 516	1 764 865
<i>District Health Component</i>	217 764	-	-	-	-	217 764
Health Facility Revitalisation Grant	883 298	-	-54 587	-54 587	-54 587	828 711
Human Resources and Training Grant	887 123	-	-	-	-	887 123
<i>Statutory Human Resources Component</i>	369 008	-	-	-	-	369 008
<i>Training Component</i>	518 115	-	-	-	-	518 115
National Health Insurance Grant	36 225	-	-	-	-	36 225
National Tertiary Services Grant	3 332 007	-	-	-	-	3 332 007

# Adjustments to Western Cape provincial allocations for 2023/24 <sup>(2/2)</sup>

Western Cape	Main appropriation: 2023/24	Total adjustments: Equitable share	Adjustments: Conditional grants		Total: 2023/24 Adjustments	National adjusted appropriation: 2023/24
			Reductions	Total adjustments: Conditional grants		
			<b>R thousand</b>			
<b>Human Settlements</b>	<b>2 207 509</b>	-	<b>-271 495</b>	<b>-271 495</b>	<b>-271 495</b>	<b>1 936 014</b>
Human Settlements Development Grant	1 701 511	-	-214 306	-214 306	-214 306	1 487 205
Informal Settlements Upgrading Partnership Grant: Provinces	505 998	-	-57 189	-57 189	-57 189	448 809
<b>Public Works and Infrastructure</b>	<b>56 450</b>	-	<b>-4 294</b>	<b>-4 294</b>	<b>-4 294</b>	<b>52 156</b>
Expanded Public Works Programme Integrated Grant for Provinces	20 798	-	-1 739	-1 739	-1 739	19 059
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	35 652	-	-2 555	-2 555	-2 555	33 097
<b>Sport, Arts and Culture</b>	<b>255 847</b>	-	<b>-4 545</b>	<b>-4 545</b>	<b>-4 545</b>	<b>251 302</b>
Community Library Services Grant	193 331	-	-	-	-	193 331
Mass Participation and Sport Development Grant	62 516	-	-4 545	-4 545	-4 545	57 971
<b>Transport</b>	<b>2 602 990</b>	-	<b>-51 744</b>	<b>-51 744</b>	<b>-51 744</b>	<b>2 551 246</b>
Provincial Roads Maintenance Grant	1 425 471	-	-51 744	-51 744	-51 744	1 373 727
Public Transport Operations Grant	1 177 519	-	-	-	-	1 177 519

# Changes to local government allocations in 2023/24



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# Adjustments to 2023/24 local government allocations (1 of 3)

## Declared under-expenditure

- R1.4 billion unallocated in the *local government equitable share* is declared as under-expenditure

## Additions

- R1.2 billion is added to *Municipal Disaster Recovery Grant* to fund the repair of infrastructure damaged by the floods that occurred between February and March 2023
- R372 million is added to the *Municipal Disaster Response Grant* to replenish the depleted grant baseline

## Conversions

- R10 million from uThukela Local Municipality's *municipal infrastructure grant (MIG)* allocation is converted to an indirect allocation for the Ekuvukeni Water Supply Project
- R20 million from Emfuleni Local Municipality's MIG allocation is converted to an indirect allocation to address the outfall of sewer in Evaton and Sebokeng
- R88 million from direct component of the *neighbourhood development partnership grant* is shifted to the indirect component to expedite project implementation in municipalities that are experiencing administrative and financial challenges

# Adjustments to 2023/24 local government allocations (2 of 3)

## Reprioritisations

- R53 million is reprioritised from the *integrated national electrification programme (Eskom) grant* to the vote of the national Department of Mineral Resources and Energy to fund the rehabilitation of derelict and ownerless mines
- R309 million is reprioritised from the indirect component of the *regional bulk infrastructure grant* to the indirect component of the *water services infrastructure grant* to enable the Department of Water and Sanitation to manage contractual obligations, budget pressures, accruals and payables for projects in several municipalities

# Adjustments to 2023/24 local government allocations (3 of 3)

## Fiscal consolidation reductions

	2023/24 Adjustment R'000
<b>Direct conditional grants</b>	<b>(3 433 017)</b>
<b>Infrastructure</b>	<b>(3 333 964)</b>
Municipal infrastructure	(1 173 464)
Informal settlements upgrading partnership	(305 602)
Urban settlements development	(553 138)
Integrated national electrification programme	(180 000)
Neighbourhood development partnership	(40 370)
Public transport network	(600 000)
Regional bulk infrastructure	(236 914)
Water services infrastructure	(244 476)
<b>Current</b>	<b>(99 053)</b>
Infrastructure skills development	(8 505)
Programme and project preparation support	(58 138)
Expanded public works programme integrated	(32 410)
<b>Indirect conditional grants</b>	<b>(250 000)</b>
<b>Infrastructure</b>	<b>(250 000)</b>
Integrated national electrification programme	(250 000)

- No reduction to the *local government equitable share*
- Direct conditional grants are reduced by R3.4 billion
- The *integrated national electrification programme (Eskom) grant* is reduced by R250 million

# Changes to gazetted frameworks & allocations

- Section 15(4) of the Division of Revenue Act, 2023, requires National Treasury to consult Parliament on any proposed changes to a conditional grant framework for the purposes of correcting an error or omission

## Grant framework change

- Parliament is requested to consider and approve inclusion of the condition below in the framework of the *municipal disaster recovery grant* :

*“R1.2 billion in 2023/24 is ring-fenced for the reconstruction and rehabilitation of municipal infrastructure damaged by the floods that occurred between February and March 2023. This funding may only be utilised for approved projects as listed in the post disaster verification assessment reports and business plans approved by the NDMC”*

## Changes to allocations

- ***Indirect regional bulk infrastructure grant:*** An amount of R20 million for the Kirkwood Water project that was erroneously allocated to Dr Beyers Naude Local Municipality is corrected to an allocation to Sundays River Valley Local Municipality

# Adjustments to Western Cape municipal allocations for 2023/24

Conditional Grant Allocations, 2023 MTEF			
	2023/24 Main Allocation	Adjustment	2023/24 Adjusted Allocation
<b>Infrastructure transfers to local government</b>	<b>5 678 697</b>	<b>(205 315)</b>	<b>5 473 382</b>
<b>Direct transfers</b>	<b>5 544 991</b>	<b>(196 234)</b>	<b>5 348 757</b>
Integrated urban development	185 476	-	185 476
Municipal disaster recovery	-	-	-
Municipal infrastructure	459 109	(30 707)	428 402
Informal settlements upgrading partnership	573 210	(37 493)	535 717
Urban settlements development	1 008 100	(70 000)	938 100
Energy efficiency and demand-side management	33 200	-	33 200
Integrated national electrification programme	236 103	(19 034)	217 069
Neighbourhood development partnership	290 162	-	290 162
Public transport network	1 922 668	-	1 922 668
Rural roads asset management systems	13 269	-	13 269
Regional bulk infrastructure	680 448	(25 000)	655 448
Water services infrastructure	143 246	(14 000)	129 246
<b>Indirect transfers</b>	<b>133 706</b>	<b>(9 081)</b>	<b>124 625</b>
Municipal infrastructure	-	-	-
Integrated national electrification programme	114 553	(9 081)	105 472
Neighbourhood development partnership	4 000	-	4 000
Regional bulk infrastructure	15 153	-	15 153
Water services infrastructure	-	-	-
<b>Capacity building transfers to local government</b>	<b>267 524</b>	<b>(6 335)</b>	<b>261 189</b>
<b>Direct transfers</b>	<b>266 524</b>	<b>(6 335)</b>	<b>260 189</b>
Infrastructure skills development	15 500	(363)	15 137
Local government financial management	48 721	-	48 721
Programme and project preparation support	68 877	-	68 877
Expanded public works programme integrated	133 426	(5 972)	127 454
<b>Indirect transfers</b>	<b>1 000</b>	<b>-</b>	<b>1 000</b>
Municipal systems improvement grant	1 000	-	1 000
<b>Total Western Cape Municipalities</b>	<b>5 946 221</b>	<b>(211 650)</b>	<b>5 734 571</b>

Source: Division of Revenue Amendment Bill, 2023

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# Annexures



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# 2024 Division of Revenue in the MTBPS



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# 2024 Division of Revenue in the MTBPS

- Government proposes allocating 48 per cent of available non-interest spending to national departments, 42.1 per cent to provinces and 9.9 per cent to local government
- In 2024/25 and 2025/26:
  - the *provincial equitable share* will receive a net addition of R4.1 billion, mainly for compensation
  - direct conditional grants for provinces will be reduced by R6.6 billion
  - the *local government equitable share* will be reduced by R5.9 billion
  - the *general fuel levy sharing with municipalities* will be reduced by R3.3 billion
  - direct conditional grants for municipalities will be reduced by R2.1 billion
- The implication of these changes will be set out in more detail in the 2024 Budget Review

R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Outcome			Revised	Medium-term estimates		
<b>Division of available funds</b>							
<b>National departments</b>	<b>790.5</b>	<b>822.8</b>	<b>855.9</b>	<b>826.3</b>	<b>840.9</b>	<b>846.4</b>	<b>884.2</b>
<i>of which:</i>							
<i>Provincial indirect grants</i>	2.9	3.8	3.9	4.0	4.0	4.3	4.4
<i>Local indirect grants</i>	4.1	5.7	7.2	8.6	8.0	8.3	8.7
<b>Provinces</b>	<b>628.8</b>	<b>660.8</b>	<b>694.1</b>	<b>706.4</b>	<b>720.5</b>	<b>752.4</b>	<b>784.6</b>
Equitable share	520.7	544.8	570.9	585.1	589.5	616.4	644.3
Conditional grants	108.1	116.0	123.3	121.3	131.0	136.1	140.3
<b>Local government</b>	<b>137.1</b>	<b>135.6</b>	<b>150.7</b>	<b>160.6</b>	<b>169.2</b>	<b>177.3</b>	<b>182.9</b>
Equitable share	83.1	76.2	83.9	95.2	101.2	106.1	110.7
General fuel levy sharing with metropolitan municipalities	14.0	14.6	15.3	15.4	14.5	15.2	15.9
Conditional grants	40.0	44.8	51.4	50.0	53.5	56.0	56.4
Provisional allocations not assigned to votes <sup>1</sup>	–	–	–	–	2.3	38.0	47.1
Projected underspending	–	–	–	-3.3	–	–	–
<b>Non-interest allocations</b>	<b>1 556.4</b>	<b>1 619.2</b>	<b>1 700.7</b>	<b>1 690.1</b>	<b>1 732.8</b>	<b>1 814.1</b>	<b>1 898.8</b>
Debt-service costs	232.6	268.1	308.5	354.5	385.9	425.5	455.9
Contingency reserve	–	–	–	0.4	5.0	7.6	14.5
<b>Main budget expenditure</b>	<b>1 789.0</b>	<b>1 887.3</b>	<b>2 009.2</b>	<b>2 044.9</b>	<b>2 123.7</b>	<b>2 247.2</b>	<b>2 369.2</b>
<i>Percentage shares</i>							
National departments	50.8%	50.8%	50.3%	48.8%	48.6%	47.7%	47.8%
Provinces	40.4%	40.8%	40.8%	41.7%	41.6%	42.4%	42.4%
Local government	8.8%	8.4%	8.9%	9.5%	9.8%	10.0%	9.9%

1. Includes amounts for projects approved through Budget Facility for Infrastructure and other provisional allocations

Source: National Treasury

# Changes to the structure of provincial and local government grants

- No major changes are proposed to provincial and municipal conditional grants for the 2024 MTEF period as the review of the conditional grants system is on-going

## Provincial grants

- For the *national health insurance indirect grant* to improve the management of the grant, the Personal Service Component and Non-personal Service Component are being merged. The name of the new component is Health Systems component
- Oncology is mainly funded from *provincial equitable share (PES)* and *national tertiary services grant (NTSG)*. To consolidate funding for oncology, funds for oncology within the NHI direct grant are shifted to the NTSG. These funds will be added to the developmental portion within the NTSG

## Local government grants

- Parallel to the review of the conditional grants system, changes will be considered for the *urban settlements development grant*; *integrated urban development grant*; and the *municipal infrastructure grant* to make better use of regulatory frameworks (i.e., Green Drop, Blue Drop and No Drop assessments)