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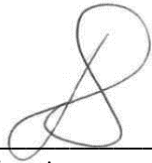
24 November 2023

WCPP 11/1/3

*RAADSTEUN  
PLENARY SUPPORT  
INKXASO YOKUHLALA KWENDLU*

#### NEGOTIATING MANDATE

To:	Hon D G Mahlangu, MP Chairperson: SC on Appropriations
Name of Bill:	Division of Revenue Amendment Bill
Number of Bill:	[B 33 - 2023]
Date of deliberation:	24 November 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, with recommendations for amendments to the Division of Revenue Amendment Bill (B 33-2023) by the NCOP. The reasons for non-support are in the report attached.



Signature

Date: 24 November 2023

(Negotiating Mandate stage) Report of the Budget Committee on the Division of Revenue Amendment Bill [B 33-2023] (NCOP), dated 24 November 2023, as follows:

The Budget Committee, having considered the subject of the Division of Revenue Amendment Bill [B 33-2023] (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, with recommendations included.

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

#### **Introduction and Overview**

The 2023 Division of Revenue Amendment Bill (the DORA 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. According to the 2023 Medium-term Budget Policy Statement, national government has allocated 41.7% of national raised funds to provincial governments as equitable share (up 0.2 percentage points from 2023 Main Budget) with 9.5% being maintained for local governments ([National Treasury, 2023c:39](#)).

#### **Public Participation**

The Western Cape Budget Committee (the Committee) placed adverts in the Burger (Afrikaans), Argus (English), Vukani (isiXhosa), advertised on Facebook, and on the WCPP website.

The Officer of the Western Cape Children's Commissioner made a written submission on the Bill during the public hearing stage of the DORA Bill. Public Participation comments are integrated into Committee reasons for not supporting the Bill.

#### **Observations**

The Western Cape will receive:

- **R 60.593 billion** as its equitable share, an increase of R1.707 billion, to cover 78% of the wage liability within the provincial Departments of Education and Health only, represents a 2.9% increase from the 2023 Main Budget. This equates to 10.36% of the total provincial equitable share for the 2023/2024 financial year.
- **R13.379 billion** in conditional grants, a 7.57% decrease from the Main Budget.

That is a **net total of R 73.972 billion**.

The R1.7 billion increase in the Western Cape's Provincial Equitable Share allocation is not sufficient to cover the cost of the centrally agreed public sector wage increase for the province by the national government, which amounts to R2.9 billion. Service delivery is being crowded out by the public wage increase, which means that the provincial government will have to cut frontline services to cover the shortfall of almost R1.2 billion of the centrally agreed increase.

There was an increase in the total money going to the 9 Provinces as **Provincial Equitable Share of R17.558 billion** (3.09%) from the 2023/24 Main Budget to the 2023/24 Adjustment Budget, with 9.72% of the total increase coming to the Western Cape. In the medium term provinces are estimated to see a increase in Provincial Equitable Share of R4.4 billion from 2023/24 to 2024/25, before an increase in 2025/26 of R26.9 billion year-on-year ([National Treasury, 2023c:38](#)).

Local governments in the Western Cape will receive:

- R7.343 billion as its local government equitable share, which represents no change from the 2023 Main Budget allocation. In the medium-term, local government is expected to see **increases** to their share of nationally raised revenue to 9.8% in 2024/25 and 10% in 2025, year-on-year. Western Cape municipalities receive 7.7% of the total local government equitable share ([National Treasury, 2023a:14](#)).

Particularly, for the City of Cape Town, the budget cut impact in the Human Settlements Development Grant, Informal Settlements Grant and Community Services Grant (particularly parks and recreational facilities) will have a substantive negative impact on the City of Cape Town. It is estimated the cut to the Human Settlements Development Grant will particularly impact the build of 290 houses in the City of Cape Town. The recent Census has shown population growth in the City of Cape Town and in order to deal with this challenge, the City of Cape Town requires a bigger local government share, and requires increases in the Urban Settlements Development Grant, Urban Settlements Development Grant, and fuel levy allocation.

Further, there has been an underspending in the local government equitable share of R1.4 billion and is being surrendered and declared as under-expenditure. In June 2023, NERSA approved a municipal tariff increase of 15.1 per cent. The R1.4 billion was originally budgeted as additional funding should the final

municipal tariff increase exceed 20.7 per cent. This saving will now be surrendered back to the National Revenue Fund when it could subsidise local government budget cuts in the Bill.

The Bill necessitates a comprehensive understanding of the specific allocations directed towards diverse departments and initiatives, coupled with insights into any alterations from prior estimations. Enhanced breakdowns detailing allocations, including justifications for these amounts, alongside comparisons with previous fiscal periods, are imperative. This level of detail will provide a comprehensive understanding of the rationale behind allocations.

The table on this page provides a clear breakdown of conditional allocations to various grants and programmes. However, a more comprehensive explanation is warranted for the notable decreases observed in specific programmes, such as the Human Settlements Development Grant reflecting a -12.6% change.

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

<b>National Dept (Vote)</b>	<b>Name of Allocation</b>	<b>Type of Allocation</b>	<b>2022/23 Allocation</b>	<b>Adjustment 2022/23</b>	<b>2022/23 Revised estimate</b>	<b>2023/24 Allocation</b>	<b>2023/24 Adjusted allocation</b>	<b>Increase/ Decrease</b>	<b>% Increase/ Decrease</b>
				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	1 133 187	-156 875	-12,2
	Early Childhood Development Grant (Previously part of Social Development Vote 19)	Conditional allocation	95 866	-	95 866	100 076	86 038	-14 038	-14

	HIV and AIDs (Life Skills Education) Grant	Conditional allocation	17 822	-	17 822	18 071	14 983	-3 088	-17,1
	Learners with Profound Intellectual Disabilities Grant	Conditional allocation	33 451	7441	40 892	34 080	34 080	-	-
	Maths, Science and Technology Grant	Conditional allocation	37 814	8 242	46 056	37 135	32 863	-4 272	-11,5
	National School Nutrition Programme Grant	Conditional allocation	451 289	-	451 289	496 802	496 802	-	-
Health (Vote 18)	National Tertiary Services Grant	General conditional allocation to provinces	3 401 057	-	3 401 057	3 332 007	3 332 007	-	-
	District Health Programmes Grant	Conditional allocation	2 268 294	-	2 268 294	2 049 145	1 982 629	-66 516	-3,2

	Health Facility Revitalisation Grant	Conditional allocation	796 590	56 500	853 090	883 298	828 711	-54 587	-6,2
	Human Resources and Training Grant	Conditional allocation	899 442	-	899 442	887 123	887 123	-	-
	National Health Insurance Grant	Nationally assigned function to provinces	43 605	-8 641	34 964	36 225	36 225	-	-
Transport (Vote 40)	Provincial Roads Maintenance Grant	General conditional allocation to provinces	960 309	-	960 309	1 425 471	1 373 727	-51 744	-3,6
	Public Transport Operations Grant	Nationally assigned function to provinces	1 127 813	-	1 127 813	1 177 519	1 177 519		-
Agriculture, Land Reform and Rural Development (Vote 29)	Comprehensive Agricultural Support Programme Grant	Conditional allocation	122 087	-	122 087	121 653	112 203	-9 450	-7,8
	Ilima/Letsema Projects Grant	Conditional allocation	58 993	-	58 993	59 979	58 979	-1 000	-1,7

	Land Care Programme Grant: Poverty Relief and Infrastructure Development	Conditional allocation	5 532	-	5 532	5 680	5 300	-380	-6,7
Human Settlements (Vote 33)	Human Settlements Development	Conditional allocation	1 628 418	-	1 628 418	1 701 511	1 487 205	-214 306	-12,6
	Informal Settlements Upgrading Partnership Grant: Provinces	Conditional allocation	484 638	5 196	489 834	505 998	448 809	-57 189	-11,3
Public Works and Infrastructure (Vote 13)	Expanded Public Works Programme Integrated Grant for Provinces	Conditional allocation	30 139	-	30 139	20 798	19 059	-1 739	-8,4
	Social Sector Expanded Public Works Programme Incentive Grant for Provinces	Conditional allocation	35 745	-	35 745	35 652	33 097	-2 555	-7,2

Sports, Arts and Culture (Vote 37)	Community Library Services Grant	Conditional allocation	190 102	-	190 102	193 331	193 331	-	-
	Mass Participation and Sport Development Grant	Conditional allocation	91 221	-	91 221	62 516	57 971	-4 545	-7,3

It is recommended that National Treasury indicates the reasons for specific increases or decreases in allocations, particularly when notable changes from the previous year are evident, would have been beneficial. It is included here from the Western Cape Provincial Parliament Budget Committee for a comprehensive understand of the changes over the years. The uniformity in allocation across municipalities prompts inquiries regarding the criteria guiding these distributions. National Treasury should provide clarity on whether these allocations are determined by population, need, or other metrics would enhance transparency. Further insights into these criteria will support informed decisions regarding the Western Cape's level of support.

**Specific Purpose Allocations to Municipalities:**

Name of Grant	Category	Municipality	2022/23 Allocation	Adjustment 2022/2023	2022/23 Adjusted Allocation	2023/24 Allocation	2023/24 Adjusted allocation	Increase/ Decrease	% Increase/ Decrease
						R '000			
Infrastructure Skills Development Grant	A	City of Cape Town	11 446	-	11 446	9 000	8 920	-80	-0,9
	B	George	6 000	-	6 000	6 500	6 217	-283	-4,4
Local Government	A	City of Cape Town	1 000	-	1 000	1 000	1 000	-	-



<b>Financial Management Grant</b>	B	Matzikama	1 771	-	1 771	1 771	1 771	-	-
	B	Cederberg	2 132	-	2 132	2 132	2 132	-	-
	B	Bergrivier	1 550	-	1 550	1 550	1 550	-	-
	B	Saldanha Bay	1 550	-	1 550	1 550	1 550	-	-
	B	Swartland	1 550	-	1 550	1 550	1 550	-	-
	C	West Coast District Municipality	1 000	-	1 000	1 000	1 000	-	-
	B	Witzenberg	1 550	-	1 550	1 550	1 550	-	-
	B	Drakenstein	1 550	-	1 550	1 550	1 550	-	-
	B	Stellenbosch	1 550	-	1 550	1 550	1 550	-	-
	B	Breede Valley	1 550	-	1 550	1 550	1 550	-	-
	B	Langeberg	1 550	-	1 550	1 550	1 550	-	-
	C	Cape Winelands District Municipality	1 000	-	1 000	1 000	1 000	-	-
	B	Theewaterskloof	1 650	-	1 650	1 700	1 700	-	-
	B	Overstand	1 550	-	1 550	1 550	1 550	-	-
	B	Cape Agulhas	1 550	-	1 550	1 550	1 550	-	-
	B	Swellendam	1 720	-	1 720	1 770	1 770	-	-

	C	Overberg District Municipality	1 000	-	1 000	1 000	1 000	-	-
	B	Kannaland	2 932	-	2 932	2 932	2 932	-	-
	B	Hessequa	1 550	-	1 550	1 550	1 550	-	-
	B	Mossel Bay	1 550	-	1 550	1 566	1 566	-	-
	B	George	1 721	-	1 721	1 771	1 771	-	-
	B	Oudtshoorn	2 800	-	2 800	2 802	2 802	-	-
	B	Bitou	1 721	-	1 721	1 771	1 771	-	-
	B	Knysna	1 721	-	1 721	1 771	1 771	-	-
	C	Garden Route District Municipality	1 000	-	1 000	1 000	1 000	-	-
	B	Laingsburg	1 750	-	1 750	1 800	1 800	-	-
	B	Prince Albert	1 650	-	1 650	1 700	1 700	-	-
	B	Beaufort West	2 085	-	2 085	2 185	2 185	-	-
	C	Central Karoo District Municipality	1 000	-	1 000	1 000	1 000	-	-

The table below illustrates adjustments, revealing a uniform percentage decrease across different regions. This observation prompts consideration of whether this standardised reduction aligns with the distinct needs of each municipality. It is recommended that National Treasury a more tailored approach reflecting individual circumstances for a more effective allocation. The allocations to various municipalities are listed. National Treasury should provide explanations

provided for any significant changes, such as the consistent -5.6% decrease across many entries. The rationale behind these decreases should be provided for transparency and understanding.

<b>Expanded Public Works Programme Integrated Grant for Municipalities</b>	A	City of Cape Town	42 406	-	42 406	62 588	59 093	-3 495	-5,6
	B	Matzikama	1 569	-	1 569	3 028	2 859	-169	-5,6
	B	Cederberg	1 359	-	1 359	1 658	1 658	-	-
	B	Bergrivier	1 662	-	1 662	2 873	2 712	-161	-5,6
	B	Saldanha Bay	2 907	-	2 907	2 125	2 125	-	-
	B	Swartland	1 873	-	1 873	1 830	1 830	-	-
	C	West Coast District Municipality	1 194	-	1 194	1 242	1 242	-	-
	B	Witzenberg	2 237	-	2 237	3 439	3 247	-192	-5,6
	B	Drakenstein	4 139	-	4 139	4 363	4 119	-244	-5,6
	B	Stellenbosch	4 928	-	4 928	4 786	4 519	-267	-5,6
	B	Breede Valley	3 301	-	3 301	5 072	4 789	-283	-5,6
	B	Langeberg	2 647	-	2 647	3 362	3 174	-188	-5,6
	C	Cape Winelands District Municipality	1 369	-	1 369	2 405	2 271	-134	-5,6
	B	Theewaterskloof	2 077	-	2 077	1 684	1 684	-	-

B	Overstand	2 593	-	2 593	3 565	3 366	-199	-5,6
B	Cape Agulhas	1 773	-	1 773	2 181	2 181	-	-
B	Swellendam	1 497	-	1 497	1 541	1 541	-	-
C	Overberg District Municipality	1 123	-	1 123	1 192	1 192	-	-
B	Kannaland	1 031	-	1 031	1 220	1 220	-	-
B	Hessequa	1 164	-	1 164	1 174	1 174	-	-
B	Mossel Bay	1 935	-	1 935	4 589	4 333	-256	-5,6
B	George	1 990	-	1 990	4 420	4 173	-247	-5,6
B	Oudtshoorn	1 310	-	1 310	1 672	1 672	-	-
B	Bitou	1 155	-	1 155	1 879	1 879	-	-
B	Knysna	1 044	-	1 044	1 264	1 264	-	-
C	Garden Route District Municipality	2 440	-	2 440	2 180	2 180	-	-
B	Laingsburg	1 074	-	1 074	1 173	1 173	-	-
B	Prince Albert	1 237	-	1 237	1 098	1 098	-	-
B	Beaufort West	1 136	-	1 136	1 372	1 372	-	-

	C	Central Karoo District Municipality	1 321	-	1 321	2 451	2 314	-137	-5,6
<b>Programme and Project Preparation Support Grant</b>	A	City of Cape Town	65 970	-	65 970	68 877	68 877	-	-

The Municipal Infrastructure Grant shows a -6.7% decrease across various municipalities. It is requested that National Treasury indicated how these decreases will impact the respective critical infrastructure projects and how the government plans to address potential shortfalls.

**Infrastructure Grant Allocations to Municipalities:**

Name of Grant	Category	Municipality	2022/23 Allocation	Adjustment 2022/2023	2022/23 Adjusted Allocation	2023/24 Allocation	2023/24 Adjusted Allocation	% Increase/Decrease	Increase/Decrease
					R '000				
<b>Municipal Disaster Recovery Grant</b>	C	Cape Winelands District Municipality	-	10 310	10 310	-	-	-	-
	C	Overberg District Municipality	-	15 493	15 493	-	-	-	-
	C	Garden Route District Municipality	-	264 161	264 161	-	-	-	-

<b>Municipal Infrastructure Grant</b>	B	Matzikama	23 817	-	23 817	24 716	23 063	-1 653	-6,7
	B	Cederberg	17 309	-	17 309	17 896	16 699	-1 197	-6,7
	B	Bergrivier	16 017	-	16 017	16 543	15 437	-1 106	-6,7
	B	Saldanha Bay	21 634	-	21 634	29 287	27 328	-1 959	-6,7
	B	Swartland	33 810	-	33 810	24 708	23 055	-1 653	-6,7
	B	Witzenberg	25 091	-	25 091	26 051	24 309	-1 742	-6,7
	B	Breede Valley	44 987	-	44 987	40 609	37 893	-2 716	-6,7
	B	Langeberg	24 597	-	24 597	25 533	23 825	-1 708	-6,7
	B	Theewaterskloof	29 728	-	29 728	30 909	28 842	-2 067	-6,7
	B	Overstand	24 628	-	24 628	25 565	23 855	-1 710	-6,7
	B	Cape Agulhas	11 929	-	11 929	12 260	11 440	-820	-6,7
	B	Swellendam	13 005	-	13 005	13 387	12 492	-895	-6,7
	B	Kannaland	11 083	-	11 083	11 373	10 612	-761	-6,7
	B	Hessequa	24 982	-	24 982	15 459	14 425	-1 034	-6,7
	B	Mossel Bay	27 046	-	27 046	28 098	26 219	-1 879	-6,7
	B	George	45 508	-	45 508	-	-	-	-
	B	Oudtshoorn	33 325	-	33 325	25 248	23 559	-1 689	-6,7
B	Bitou	22 508	-	22 508	23 344	21 783	-1 561	-6,7	

	B	Knysna	39 114	-	39 114	29 218	27 264	-1 954	-6,7
	B	Laingsburg	6 870	-	6 870	14 959	13 958	-1 001	-6,7
	B	Prince Albert	7 956	-	7 956	8 097	7 555	-542	-6,7
	B	Beaufort West	15 353	-	15 353	15 849	14 789	-1 060	-6,7
National Treasury must explain significant reductions in allocations (e.g., a 76.9% reduction for Swartland under the Electrification Programme). National Treasury must clarify how these cuts align with energy efficiency and electrification goals – the surrendering of these funds back to National Treasury due to over-budgeting for the respective amounts is not a justifiable reason as many municipalities across the country still experience high electricity tariffs due to the NERSA tariff increase and could benefit from subsidisation with this saving.									
<b>Energy Efficiency and Demand Side Management Grant</b>	A	City of Cape Town	9 000	-	9 000	9 000	9 000	-	-
	B	Saldanha Bay	-	-	-	4 000	4 000	-	-
	B	Breede Valley	4 000	-	4 000	4 000	4 000	-	-
	B	Theewaterskloof	-	-	-	4 000	4 000	-	-
	B	Overstrand	- 5 000	-	5 000	4 200	4 200	-	-
	B	Hessequa	4 000	-	4 000	4 000	4 000	-	-
	B	Mossel Bay	- 2 500	-	2 500	-	-	-	-
	C	Garden Route District Municipality	- 5000	-	5000	4 000	4 000	-	-
<b>Integrated National Electrification</b>	B	Matzikama	-	-	-	8 325	8 325	-	-
	B	Cederberg	24 000	-	24 000	37 997	35 000	-2 997	-7,9

<b>Programme (Municipal) Grant</b>	B	Saldanha Bay	-	-	-	14 324	11 524	-2 800	-19,5
	B	Swartland	17 600	-	17 600	23 658	23 658	-	-
	B	Witzenberg	-	-	-	3 900	900	-3 000	-76,9
	B	Drakenstein	10 000	-	10 000	10 000	10 000	-	-
	B	Stellenbosch	28 350	-	28 350	22 750	20 000	-2 750	-12,1
	B	Breede Valley	15 000	-	15 000	20 238	20 238	-	-
	B	Langeberg	-	-	-	460	460	-	-
	B	Overstand	21 331	-	21 331	24 380	23 000	-1 380	-5,7
	B	Cape Agulhas	4 348	-	4 348	-	-	-	-
	B	Hessequa	2 893	-	2 893	3 700	3 700	-	-
	B	Mossel Bay	13 061	-	13 061	12 007	11 000	-1 007	-8,4
	B	George	38 036	-	38 036	6 346	5 000	-1 346	-21,2
	B	Bitou	8 718	-	8 718	3 774	3 774	-	-
	B	Knysna	10 730	-	10 730	43 754	40 000	-3 754	-8,6
	B	Prince Albert	-	-	-	490	490	-	-
B	Beaufort West	11 000	-	11 000	-	-	-	-	
<b>Rural Roads Asset</b>	C	West Coast District Municipality	2 707	-	2 707	2 718	2 718	-	-



<b>Management Systems Grant</b>	C	Cape Winelands District Municipality	28 777	-	28 777	2 888	2 888	-	-
	C	Overberg District Municipality	2 835	-	2 835	2 846	2 846	-	-
	C	Garden Route District Municipality	2 594	-	2 594	2 754	2 754	-	-
	C	Central Karoo District Municipality	2 055	-	2 055	2 063	2 063	-	-
Considering the crucial importance of water infrastructure, it is recommended that National Treasury indicates how less money might affect water services and big projects for water infrastructure.									
<b>Regional Bulk Infrastructure Grant</b>	B	Matzikama	10 000	-	10 000	-	-	-	-
	B	Witzenberg	19 239	-	19 239	-	-	-	-
	B	Drakenstein	-	-	-	305 310	290 310	-15 000	-4,9
	B	George	240 648	-	240 648	375 138	365 138	-10 000	-2,7
<b>Water Services Infrastructure Grant</b>	B	Matzikama	9 196	-	9 196	11 000	11 000	-	-
	B	Cederberg		-	-	5 000	4 500	-500	-10
	B	Bergrivier	3 150	-	3 150	10 000	8 500	-1 500	-15
	B	Witzenberg	15 701	-	15 701	-	-	-	-

	B	Drakenstein		-	-	16 000	13 400	-2600	-16,3
	B	Breede Valley	5 107	-	5 107	-	-	-	
	B	Theewaterskloof		-	-	10 700	9 630	-1 070	-10
	B	Overstand	27 439	-	27 439	5 000	4 500	-500	-10
	B	Cape Agulhas	17 000	-	17 000	5 000	4 500	-500	-10
	B	Swellendam	6 437	-	6 437	5 893	5 304	-589	-10
	B	Kannaland	-	-	-	5 000	4 500	-500	-10
	B	Hessequa				8 300	8 300	-	
	B	George	-	-	-	3 820	3 820	-	
	B	Oudtshoorn	-	-	-	10 000	8 060	-1 940	-19,4
	B	Bitou	9 079	-	9 079	-	-	-	
	B	Knysna	-	-	-	3 400	3 400	-	
	B	Laingsburg	17 360	-	17 360	34 133	31 832	-2 301	-6,7
	B	Prince Albert	6 552	-	6 552	10 000	8 000	-2 000	-20
	B	Beaufort West	28 439	-	28 439	-	-	-	
Allocations for Integrated Urban Development and Informal Settlements Upgrading, National Treasury should indicate whether the allocations meet the growing needs for urban development and informal settlement upgrades, especially in the context of urbanisation and housing demands.									
<b>Integrated Urban</b>	B	Drakenstein	61 989	-	61 989	58 616	58 616	-	
	B	Stellenbosch	65 747	-	65 747	59 410	59 410	-	

<b>Development Grant</b>	B	George	-	-	-	67 450	67 450	-	
<b>Informal Settlements Upgrading Partnership Grant: Municipalities</b>	A	City of Cape Town	549 012	-	549 012	573 210	535 717	-37 493	-6,5
<b>Urban Settlements Development Grant</b>	A	City of Cape Town	965 544	-	965 544	1 008 100	938 100	-70 000	-6,9
<b>Neighbourhood Development Partnership Grant (Capital)</b>	A	City of Cape Town	175 699	-	175 699	250 890	250 890	-	-
	B	Drakenstein	-	-	-	10 000	10 000	-	-
	B	Langeberg	5 000	-	5 000	9 272	9 272	-	-
	B	George	-	-	-	5 000	5 000	-	-
	B	Knysna	5 000	-	5 000	15 000	15 000	-	-
<b>Public Transport Network Grant</b>	A	City of Cape Town	1 314 261	-	1 314 261	1 777 845	1 777 845	-	-
	B	George	191 410	-	191 410	144 823	144 823	-	-

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

<b>Name of Grant</b>	<b>Category</b>	<b>Municipality</b>	<b>2022/23 Allocation</b>	<b>Adjustment 2022/2023</b>	<b>2022/23 Adjusted Allocation</b>	<b>2023/24 Allocation</b>	<b>2023/24 Adjusted Allocation</b>	<b>Increase/Decrease</b>	<b>% Increase/Decrease</b>
					R '000				
<b>Municipal Systems Improvement Grant</b>									
	C	Garden Route District Municipality	1405	-	1405	1 000	1 000	-	-
<b>Integrated National Electrification Programme (Eskom) Grant</b>	A	City of Cape Town	133 461	-	133 461	62 349	57 408	-4 941	-7,9
	B	Matzikama	4 493	-	4 493	-	-	-	-
	B	Cederberg	9 072	-	9 072	31 275	28 797	-2 478	-7,9
	B	Saldanha Bay	7 476	-	7 476	7 503	6 908	-595	-7,9
	B	Swartland	17646	-	17646	5 168	4 758	-410	-7,9
	B	Stellenbosch	255	-	255	123	113	-10	-8,1
	B	Breede Valley	14 901	-	14 901	5 796	5 337	-459	-7,9
	B	Theewaterskloof	6 674	-	6 674	1 883	1 734	-149	-7,9
	B	George	5 355	-	5 355	-	-	-	-
	B	Oudtshoorn	-	-	-	166	150	-16	-9,6

	B	Knysna	-	-	-	290	267	-23	-7,9
<b>Neighbourhood Development Partnership Grant (Technical Assistance)</b>	A	City of Cape Town	5 000	-	5 000	2 500	2 500	-	-
	B	Drakenstein	100	-	100	-	-	-	-
	B	Langeberg	100	-	100	100	100	-	-
	B	George	2 500	-	2 500	1 300	1 300	-	-
	B	Knysna	2 000	-	2 000	100	100	-	-
<b>Regional Bulk Infrastructure Grant</b>	B	Cederberg	15 197	-	15 197	15 153	15 153	-	-

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

Project Name	Category	Municipality	2023/24 Allocation	2023/24 Adjusted allocation	Increase/Decrease
			R '000		
Upgrading of St Helena Bay Sport Field	B	Saldanha Bay	6 858	6 399	-459
Construction of Bersig Sport Field	B	Laingsburg	8 000	7 464	-536

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	-

#### **Recommendations for Amendments by the NCOP to the Division of Revenue Amendment Bill (2023)**

The Western Cape does not support the DORA Bill for the following reasons and recommends the following:

1. The R1.7 billion increase in the Western Cape's Provincial Equitable Share allocation is not sufficient to cover the cost of the centrally agreed public sector wage increase for the province by the national government, which amounts to R2.9 billion. Service delivery is being crowded out by the public wage increase, which means that the provincial government will have to cut frontline services to cover the shortfall of the centrally agreed increase. **It is recommended that the national government must fully fund the public sector wage increase agreement in the current Bill for all provinces. By not fully funding the public sector wage increase agreement for all provinces, the national government is forcing provincial governments to cut provincial budgets in order to fund the shortfall for the centrally agreed public sector wage increase agreement.**
2. The cuts to conditional grants for provincial and local governments are excessive and damaging to the service delivery capabilities of these governments. **It is recommended that conditional grants are not cut in-year; and that the National Treasury should instead source these funds from the national governmental budget instead of cutting local government and provincial government budgets. Further, it is recommended not to cut conditional to the City of Cape Town, and in particular increase the City of Cape Town's Urban Settlements Development Grant, Informal Settlements Development Grant, and fuel levy allocation. Not cutting conditional grants in-year is also in line with public participation comments received in committee.**

3. Cuts to infrastructure grants, such as the Education Infrastructure Grant, are especially worrying, as infrastructure represents an investment in the future of the province. Infrastructure projects often take place over a number of financial years, with projects needing stability over a number of years to be completed successfully. The cuts to these grants means that there is a risk of some projects that are already in progress not being completed. The long life-cycle of infrastructure-related grants must be taken into account. **It is recommended that National Treasury do not make any in-year budget cuts to conditional grants affecting infrastructure as this risks halting projects midway; and that these funds should be sourced from the national governmental budget instead of cutting local government and provincial government budgets. In particular, given that rights such as the Right to Basic Education (Section 29 of the Constitution) is an immediately realisable right; there is currently no justification for cutting the budgets for Education Infrastructure Grant and the Early Childhood Grant. This is also in line with public participation comments received in committee.**
4. Certain conditional grants have been around for years, with the result that provinces and local governments depend on these grants when they set up their budgets and plan their programmes for the financial year. **It is recommended that the conditional grants directly linked to provincial government mandates should rather be incorporated into the Provincial Equitable Share formula, and form part of the Provincial Equitable Share division of revenue for provinces. In particular, conditional grants related to Education, Health and Social Sector mandates should not be cut; and this is in line with public participation comments received in committee.**
5. The population data that was used to calculate the Provincial Equitable Share is outdated. As was confirmed in the latest Census data released this year, the Western Cape has moved from the 5<sup>th</sup> most populated province, to the 3<sup>rd</sup> most populated. The Western Cape also objects to the admission from National Treasury that the newest data will not be used for the next Main Budget, due in February next year. **It is recommended that the incorporation of the data, particularly the population statistics should be incorporated for the main budget for implementation in February 2024.**
6. The Provincial Equitable Share per capita also shows favour towards more rural provinces, and while this is understandable to an extent, it does not differentiate between areas where poorer persons reside and areas which are considered rural in more geographical terms. The majority of poor people that rely on government services are based in urban areas, and this current favour does not seem to be properly take this into account in the Provincial Equitable Share formula. **It is thus recommended that this metric is reviewed to instead take into account where the most poor persons in a province reside.**
7. **In terms of the R1.4 billion declared underspending in the local government equitable share, it is recommended to reallocated these back to local governments in South Africa to relief local municipalities of the impact of budget cuts in this Bill.**
8. **In line with public participation comments received, it is recommended that the budget system, budget process and budget legislation on both a national and provincial sphere of government level is made more child-friendly to understand and engage with (for example: more infographics, TikTok posts and Instagram reels to explain the respective line items of budgets and implications thereof in simple terms that children would understand).**
9. **In line with public participation comments received, it is recommended that the National Treasury includes experts in respective sectors to comment on the human rights legal impact of cutting respective conditional grants.**

10. In line with public participation comments received, it is recommended that the National Treasury does not increase VAT. Further, it is recommended that National Treasury reduces the VAT burden on a larger basket of food items, in order to reduce the impact of the increased cost of living impact on consumers.
11. It is recommended that National Treasury address the unsustainable budget and fiscal deficits within the Medium-Term Expenditure Framework (MTEF) through effective budgeting strategies.
12. It is recommended that National Treasury redirects borrowing towards capital expenditure to stimulate job creation in the economy, prioritising it over funding current expenditures.
13. It is recommended that National Treasury encourages fiscal decentralisation to empower provinces and municipalities for more effective service delivery instead of promoting centralised fiscal control.
14. It is recommended that the National Government manage the energy crisis effectively at the national level to alleviate budget pressures on provinces and municipalities, allowing them to focus on essential services without seeking alternative funding sources.
15. It is recommended that the National Government allow regional autonomy in wage negotiations to prevent disagreements like the Western Cape's stance on above-inflation wage agreements, ensuring accountability for decisions made at regional levels.
16. It is recommended that the National Treasury develop a comprehensive plan, led by the DPSA, to downsize the public service as a crucial step in addressing the ongoing fiscal crisis.
17. It is recommended that the National Government assess Transnet's borrowing practices to ensure visible improvements align with borrowed funds, particularly in critical sectors like harbours impacting foreign currency earnings.
18. It is recommended that National Treasury creates space for increased private sector participation within budgetary allocations, aligning with public announcements to ease fiscal pressures and enhance overall budget efficiency.
19. It is recommended that National Treasury re-evaluates outdated public policy choices contributing to the budget and fiscal crisis, seeking alternative approaches to stimulate growth and deviate from anti-growth policies.
20. It is recommended that National Treasury embraces subsidiarity and allocative efficiency principles by devolving certain powers to capable provinces and metros, fostering greater operational efficiency not currently forecasted in the Division of Revenue Amendment Bill 2023.
21. It is recommended that National Treasury considers integration of conditional grants into the Provincial Equitable Share formula to balance flexibility with budget stability.
22. It is recommended that National Treasury advocates for child-friendly budget documentation to make financial information accessible to all ages and foster long-term benefits through youth education on government budgeting.
23. It is recommended that National Treasury focuses on current population data for informed budget decisions, ensuring funds are allocated where needed most due to shifts in population distribution.
24. It is recommended that National Treasury investigates the causes of underspending before reallocating funds to local governments to ensure effective utilisation.



25. It is recommended that National Treasury acknowledges the focus on consumer welfare in VAT recommendations; and suggest a comprehensive economic impact analysis before implementing adjustments.
26. It is recommended that National Treasury establishes a formal process for human rights legal impact assessments to uphold human rights standards in budget decisions.

For these reasons, Western Cape does not support the Division of Revenue Amendment Bill 2023 in its current form.

### 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 November 2023**

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