

# 2024 DIVISION OF REVENUE BILL

Briefing for the Western Cape Provincial Legislature

PRESENTED BY:  
**National Treasury**

*Division: IGR*

**Date: 18 April 2024**



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Overview of the presentation

- Overview of the 2024 Division of Revenue
  - Division of revenue
  - Changes to the Bill Clauses and Schedules
- Provincial government allocations
- Local government allocations

## Additional information

- Government's responses to the FFC's recommendations (Details in Annexure W1 to the 2024 Division of Revenue Bill)
- Responses to Committees Recommendations (Details in Annexure A to the 2024 Budget Review)

# 2024 DIVISION OF REVENUE BILL



**national treasury**

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# 2024 Division of Revenue

- National share of revenue increases at an annual average rate of 2.6 per cent
- Transfers to provinces increase at an average annual rate of 3.8 per cent, with the equitable share growing faster than the conditional grants
  - Mainly due to additional allocations to equitable share, mainly for education and health
- Transfers to local government grow at an average annual rate of 5.2 per cent

## Division of nationally raised revenue, 2024 MTEF

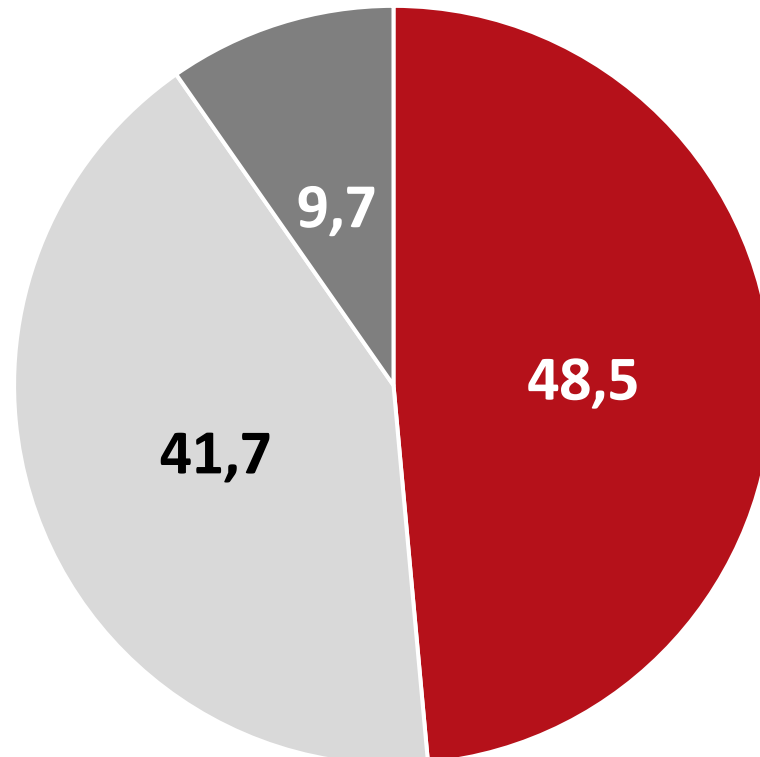
R billion	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Average annual MTEF growth
	Outcome			Revised estimate	Medium-term estimates			
<b>Division of available funds</b>								
<b>National departments</b>	790,5	822,8	855,9	823,9	848,5	853,7	890,5	2,6%
<i>of which:</i>								
<i>Indirect transfers to provinces</i>	3,0	3,8	3,5	4,0	3,8	4,2	4,2	1,5%
<i>Indirect transfers to local government</i>	4,1	5,7	7,0	8,3	7,1	7,5	8,0	-1,1%
<b>Provinces</b>	628,8	660,8	694,1	706,4	729,5	760,9	790,8	3,8%
Equitable share	520,7	544,8	570,9	585,1	600,5	627,4	655,7	3,9%
Conditional grants	108,1	116,0	123,3	121,3	129,0	133,4	135,1	3,7%
<b>Local government</b>	137,1	135,6	150,7	157,8	170,3	177,7	183,8	5,2%
Equitable share	83,1	76,2	83,9	92,7	101,2	106,1	110,7	6,1%
Conditional grants	40,0	44,8	51,4	49,7	53,0	54,7	55,5	3,8%
General fuel levy sharing with metros	14,0	14,6	15,3	15,4	16,1	16,8	17,6	4,5%
Provisional allocation not assigned to votes <sup>1</sup>	–	–	–	–	0,6	41,1	53,5	
<b>Non-interest allocations</b>	1 556,4	1 619,2	1 700,7	1 688,1	1 748,8	1 833,3	1 918,5	4,4%
<i>Percentage increase</i>	4,7%	4,0%	5,0%	-0,7%	3,6%	4,8%	4,6%	
Debt-service costs	232,6	268,1	308,5	356,1	382,2	414,7	440,2	7,3%
Contingency reserve	–	–	–	–	5,0	7,6	14,5	
<b>Main budget</b>	1 789,0	1 887,3	2 009,2	2 044,2	2 136,0	2 255,6	2 373,2	5,1%
<i>Percentage increase</i>	5,8%	5,5%	6,5%	1,7%	4,5%	5,6%	5,2%	
<i>Percentage shares</i>								
National	50,8%	50,8%	50,3%	48,8%	48,5%	47,6%	47,7%	
Provinces	40,4%	40,8%	40,8%	41,8%	41,7%	42,5%	42,4%	
Local government	8,8%	8,4%	8,9%	9,3%	9,7%	9,9%	9,9%	

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

Source: National Treasury

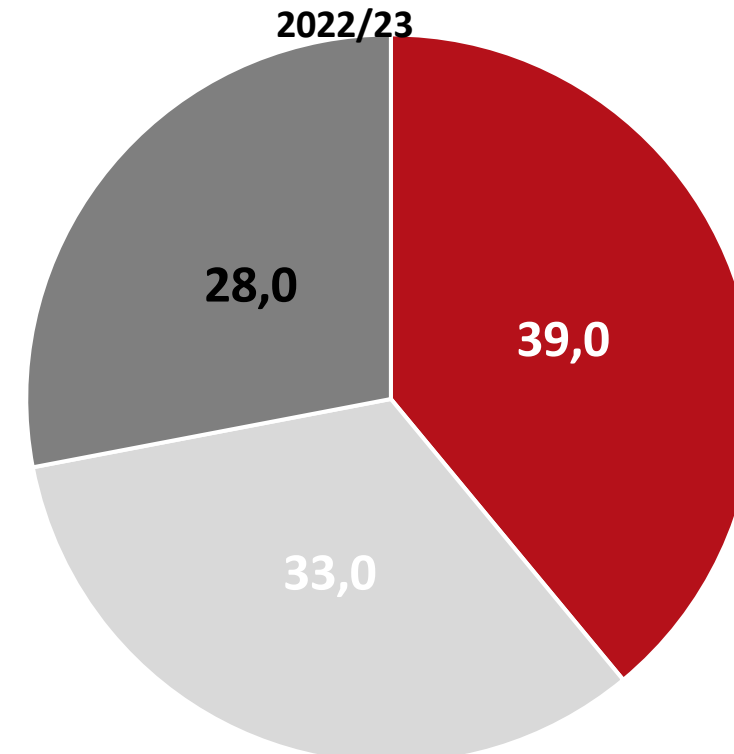
# Division of Revenue from two lenses

2024/25 Division of revenue



■ National departments ■ Provinces ■ Local government

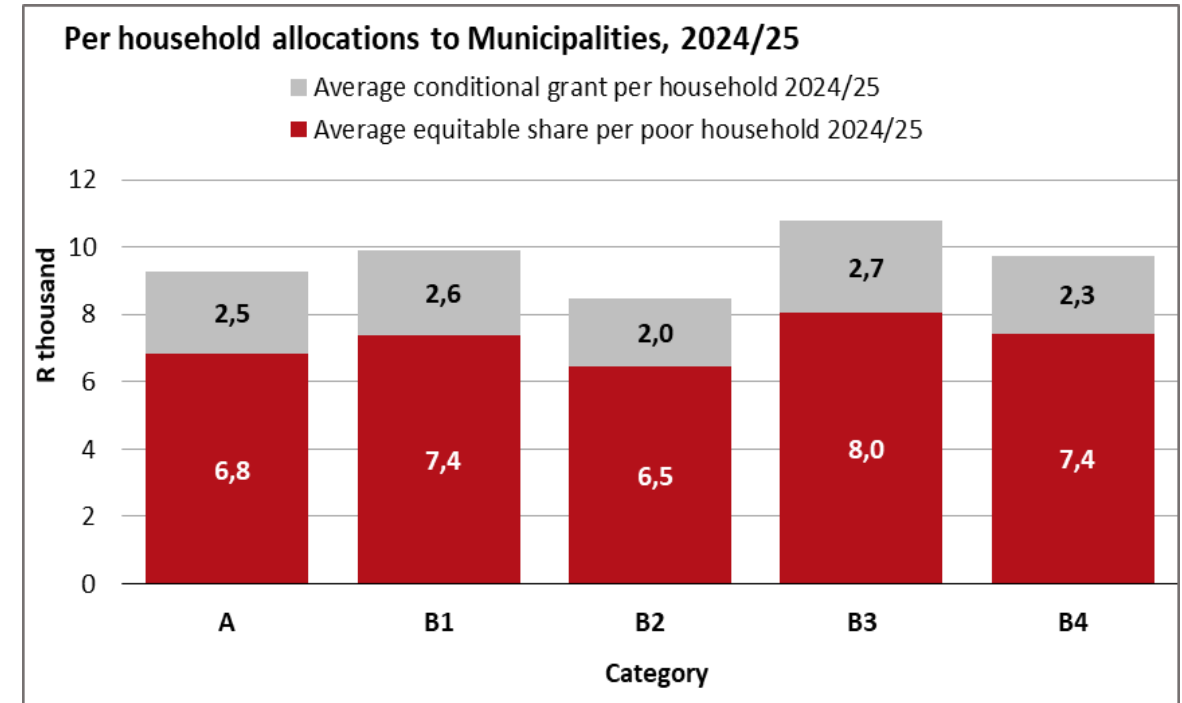
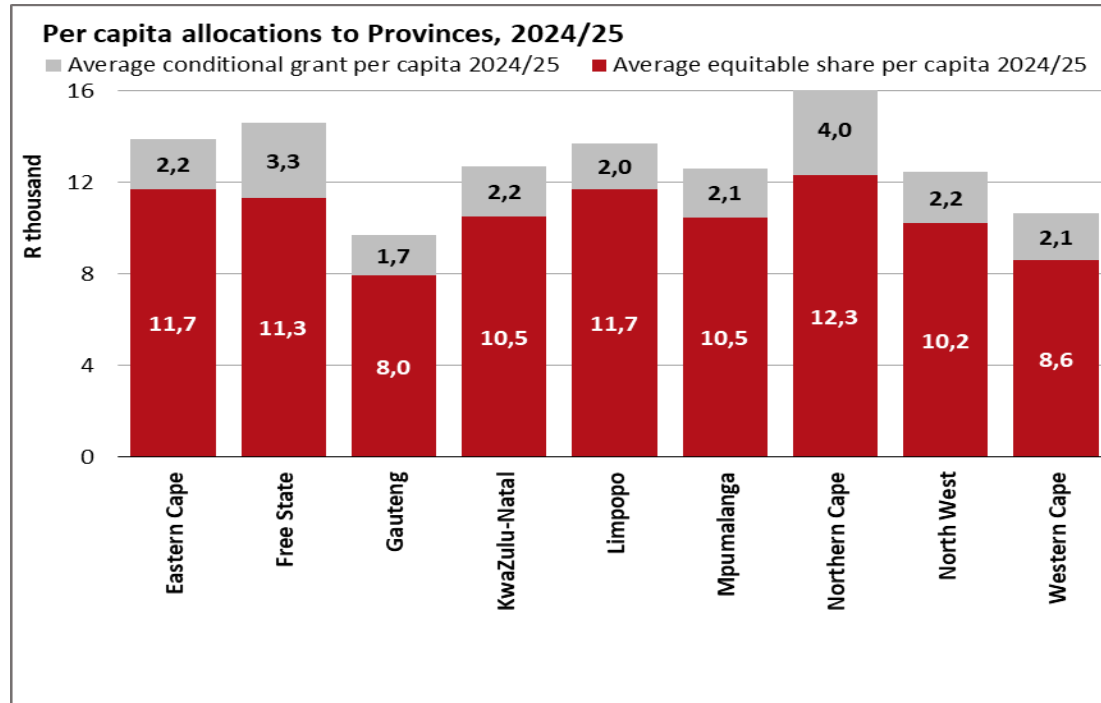
DoR including provincial and municipal own revenue -



■ National departments ■ Provinces ■ Local government

- The Division of Revenue is presented at the level of the “Main Budget” and does not reflect the substantial own revenues raised by municipalities (and smaller provincial own revenues)
- If these are included, local government accounts for more than a quarter of the total revenue raised by the 3 spheres

# The Division of Revenue is highly redistributive



Though the tax base is concentrated in urban areas, rural areas receive more per capita/per household through Division of revenue

- Transfers per household to the most rural municipalities are more than those to metropolitan municipalities
- More rural provinces receive higher allocation per capita than urban provinces

# Substantive changes to the Bill clauses (1 of 3)

Section	Change	Benefits of the change
<p><b>Section 10 - Duties of transferring officer in respect of Schedule 5 or 6 allocations</b></p> <p>(5) <b>The transferring officer of a Schedule 5 allocation to a municipality is responsible for monitoring financial and non-financial performance information</b> on programmes funded by the allocation.</p>	<ul style="list-style-type: none"> <li>Updated to include reference to schedule 6 allocations and omits reference to municipalities.</li> <li>This clause is then moved up to be sub-clause (1).</li> </ul>	<ul style="list-style-type: none"> <li>Clarifies that the transferring officers of schedule 6 allocations are responsible for monitoring indirect grants and that this is applicable to both municipal and provincial grants.</li> </ul>
<p><b>Section 12 - Duties of receiving officer in respect of Schedule 5 or 7 allocations</b></p> <p>(6)(a) <b>The receiving officer of the Human Settlements Development Grant must</b>, in consultation with the transferring officer and after consultation with each affected municipality, <b>publish in the Gazette, within 14 working days after this Act takes effect, the planned expenditure from the Human Settlements Development Grant, for the 2024/25 financial year, the 2025/26 financial year and the 2026/27 financial year per municipality with level one or level two accreditation.</b></p> <p>(c) <b>The receiving officer of the Human Settlements Development Grant may</b>, by notice in the Gazette, after taking into account the performance of the municipality and after consultation with the affected municipality and in consultation with the transferring officer, <b>amend the planned expenditure for that municipality published in terms of paragraph (a).</b></p>	<ul style="list-style-type: none"> <li>Updated to include publication of planned expenditure from the ISUPG: Provinces for each municipality that has been accredited for the Informal Settlements Upgrading Programme</li> <li>Aligned to the change in paragraph (a), this clause is updated to include reference to the amendment of ISUPG allocations gazetted into paragraph (a).</li> </ul>	<ul style="list-style-type: none"> <li>Allows municipalities that have been accredited to perform the ISUP to have certainty of the allocations that will be coming to them; and allows for proper planning on their part.</li> </ul>
<p><b>Section 14 - Duties in respect of annual financial statements and annual reports for 2024/25</b></p> <p>(2) <b>The 2024/25 annual report</b> of a national department responsible for transferring an allocation in Schedule 4, 5 or 7 must, in addition to any requirement of any other legislation, <b>indicate—</b></p> <p><b>(b) the extent that compliance with this Act by provinces or municipalities was monitored</b></p>	<ul style="list-style-type: none"> <li>Amended to make clear that, the annual reports of national departments responsible for transferring an allocation in Schedule 4, 5 or 7 must indicate the systems used to monitor compliance with the Act.</li> </ul>	<ul style="list-style-type: none"> <li>Addresses the complexities that came with having to measure/quantify and/or qualify “extent” of monitoring compliance.</li> </ul>

# Substantive changes to the Bill clauses (2 of 3)

Section	Change	Benefits of the change
<p><b>Section 16 - Expenditure in terms of purpose and subject to conditions</b></p> <p>(2)(a) A framework may provide for components within a conditional allocation that are subject to specific conditions.</p> <p>(b) A transferring officer may shift funds from one component to another.....</p> <p><b>(c) The National Treasury must publish a notice in the Gazette of a shift of funds in terms of paragraph (b).</b></p>	<ul style="list-style-type: none"> <li>Updated to include reference to when shifts between components come into effect.</li> </ul>	<ul style="list-style-type: none"> <li>This clarifies when the shifts come into effect, which is the date of publication of the notice.</li> </ul>
<p><b>(3) A receiving officer may not allocate any portion of a Schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer and the organ of state agree on the obligations of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury and the National Treasury of the agreed payment schedule and—</b></p>	<ul style="list-style-type: none"> <li>Updated to include applicability of Schedule 4 grants to the requirements that need to be met by a receiving officer before grants funds can be allocated to any other organ of state for the performance of a function</li> </ul>	<ul style="list-style-type: none"> <li>Extension of these requirements to Schedule 4 allocations is intended to safeguard and/or ensure efficient and effective use of the schedule 4 allocations.</li> </ul>
<p><b>(7)(a) For purposes of the Human Settlements Development Grant, a receiving officer and a municipality with level one or two accreditation or functions assigned in terms of section 126 of the Constitution to administer all aspects, including financial administration of a national housing programme (herein called "assigned functions") as at 1 April 2024, must, by the date determined by the National Treasury—</b></p> <p><b>(i) agree on a payment schedule; and</b></p> <p><b>(ii) submit, through the relevant provincial treasury, the payment schedule to the National Treasury.</b></p> <p><b>(c) If the transfer of the Human Settlements Development Grant to a municipality with assigned functions is withheld or stopped in terms of section 17 or 18, the receiving officer must request the National Treasury to amend the payment schedule in terms of section 23.</b></p>	<ul style="list-style-type: none"> <li>Updated to include the ISUPG: Provinces, for purpose of accreditation of the informal settlements upgrading programme.</li> <li>Updated to include applicability of the ISUPG: Provinces to the requirements outlined in this clause.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures that when a municipality is accredited to administer the ISUP, funds accordingly flow to it to enable it to perform this function.</li> <li>Allows for the amendment of the payment schedule for ISUPG: Provinces allocations allocated to paragraph (a), if such funds are stopped or withheld.</li> </ul>



# Substantive changes to the Bill clauses (3 of 3)

Section	Change	Benefits of the change
<p><b>Section 20: Conversion of allocations</b></p> <p>(1) If satisfied that the relevant provincial department or municipality has demonstrated the capacity to implement projects, <b>the National Treasury may, at the request of the transferring officer and after consultation with the receiving officer, convert any portion of—</b></p> <p><b>(a) an allocation listed in Part B of Schedule 6 to one listed in Part B of Schedule 5;</b>  <b>(b) the School Infrastructure Backlogs Grant to the Education Infrastructure Grant; or</b>  <b>(c) the National Health Insurance Indirect Grant listed in Part A of Schedule 6 to the Health Facility Revitalisation Grant, District Health Programmes Grant, Human Resources and Training Grant or the National Health Insurance Grant listed in Part A of Schedule 5.</b></p>	<ul style="list-style-type: none"> <li>Amended to include consultation with provincial treasuries when intending to convert schedule 6 allocations to schedule 5</li> </ul>	<ul style="list-style-type: none"> <li>Allows the provincial treasuries to weigh on the plausibility of doing this as they monitor the performance of provincial departments and municipalities. This should help the National Treasury make informed decisions.</li> </ul>
<p><b>Section 25 - New allocations during financial year and Schedule 7 allocations</b></p> <p><b>(3)(a)</b> The transferring officer may, with the approval of the National Treasury, make one or more transfers of a Schedule 7 allocation to a province or municipality for a classified disaster, <b>within 100 days after the date of the disaster.</b></p> <p><b>(3) (d) Despite any other legislation to the contrary, the National Treasury may approve that funds allocated in Schedule 7 be used at any time.</b></p>	<ul style="list-style-type: none"> <li>Updated to clarify that funds need to be transferred within a 100 days after the date of the classification of a disaster.</li> <li>This clause is revised to empower the NDMC to stipulate a timeframe within which Schedule 7 allocations must be spent within the relevant year</li> </ul>	<ul style="list-style-type: none"> <li>While the current phrasing was intended to ensure that disaster response is treated with the urgency it deserves, practically, the delays in the PDMC assessing damage and the NDMC classifying disasters has made it difficult to adhere to this requirement. With the NDMC classifying disasters several weeks, even months after a disaster, it would not be right to punish provinces and municipalities by prohibiting such transfers after the 100th day after occurrence of a disaster.</li> <li>This addresses the current incorrect practice of the NDMC granting implicit roll-overs of funds unspent. In its approval letters to receiving officers, the NDMC will now be able specify the expenditure timelines, on a case-by-case basis, considering the time of the year. Where roll-overs to following year are required, this will be handled by the National Treasury as required by the Act.</li> </ul>

## Changes to the Schedules of the Bill

- Schedule 6, Part B is updated to include a new Smart Meters Grant that will be funding the installation of bi-directional smart metering systems in municipalities

# PROVINCIAL GOVERNMENT ALLOCATIONS



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Provincial transfers, 2024 MTEF

## Total transfers to provinces, 2024/25

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	78 093	14 759	92 852
Free State	33 091	9 548	42 639
Gauteng	127 992	27 891	155 883
KwaZulu-Natal	121 145	25 396	146 541
Limpopo	69 625	11 779	81 404
Mpumalanga	49 499	10 099	59 599
Northern Cape	16 143	5 224	21 367
North West	42 816	9 284	52 100
Western Cape	62 071	14 854	76 926
Unallocated		149	149
<b>Total</b>	<b>600 476</b>	<b>128 984</b>	<b>729 459</b>

- Transfers to provinces account for 97 per cent of provincial revenue in 2024/25
- Provincial equitable share grows at an average annual growth rate of 3.9 per cent, whilst conditional grants at 3.7 per cent
- Changes to provincial transfers include a combination of reductions and additional allocations to the equitable share
  - Additional allocations are mainly to respond to wage pressures, mainly in education and health

# Technical updates to the Provincial Equitable Share formula (1 of 2)

## Data availability

- Some of the components of the equitable share formula will continue to be updated with data used in 2023 MTEF
- At the time of determining the formula, there was no official release of mid-year population estimates by Statistics South Africa for 2023
  - This was replaced with the anticipated official release of the 2022 Census
  - Most of the 2022 Census data needed to make annual technical updates to the formula was not yet available
  - The only data available is from the 2022 mid-year population estimates, which have been used to inform the updates in the current formula for the 2024 MTEF
- Similarly, the economic activity component uses regional GDP data used in the 2023 MTEF
  - Statistics South Africa is reviewing the methodology that informs the determination of regional GDP
  - The 2019 regional GDP is the last official data published by Statistics South Africa and informs the updates for the equitable share formula over the 2024 MTEF period

# Technical updates to the Provincial Equitable Share formula (2 of 2)

- Updates made to the PES formula for the 2024 MTEF include:
  - Technical updates to all components with the most recent data where possible
  - Continuation of phasing-in changes to health components resulting from PES review

Component	Data used
Education	Mid-Year Population Estimates 2022 age cohorts 2023 School enrolment (new data)
Health	2022 Mid-Year Population Estimates Insured population - 2021/22 Council for Medical Schemes data (new data) - 2022 General Household Survey (new data) Total fertility rate Premature Mortality Patient load data (DHIS 2021/22 - 2022/23) (new data)
Basic	2022 Mid-Year Population Estimates
Poverty	2022 Mid-Year Population Estimates Income and Expenditure Survey (IES) 2010/11
Economic	GDP-R 2019
Institutional	Not applicable (data not used)

### Education (48%)



- School aged population
- Enrolled pupils

### Health (27%)



- Population without medical aid, adjusted for health risk
- Hospital and clinic use

### Basic (16%)



- Allocated based on:
- Share of population

### Institutional (5%)



- Divided equally amongst provinces

### Poverty (3%)



- Allocated based on:
- Share of poverty

### Economic (1%)



- Based on share of GDP-R

# Changes to Provincial Equitable Share allocations

## Reductions

- To respond to fiscal pressures, the provincial equitable share is reduced by R19.6 billion in 2024/25, R20.6 billion in 2025/26 and R21.3 billion in 2026/27

## Reprioritisations and additions

- The 2023 MTBPS announced an additional R68.2 billion to cover the carry-through cost of 2023 public-service wage agreement for education and health
  - R3.9 billion has since been redirected to the provincial conditional grants in these two sectors that fund employee compensation
  - R136 million has been redirected to the conditional grants in the education sector and R3.8 billion to the conditional grants in the health sector
  - Remaining R64.2 billion remains in the provincial equitable share and is allocated to provinces through the equitable share formula
- A further R37.3 billion has been added to the provincial equitable share over the MTEF, mainly for education and health, to continue to support provinces with the cost pressures emanating from the public-service wage agreement

# Changes to provincial conditional grants

## Reductions

- To respond to fiscal pressures, provincial conditional grants are reduced by R26.8 billion over the MTEF
  - Reductions amount to R6 billion in 2024/25, R9 billion in 2025/26 and R11.8 billion in 2026/27

## Reprioritisations

- R1.1 billion was previously added to the Early Childhood Development Grant to pilot a nutrition support programme and a result-based service delivery model
  - These funds are reprioritised to national government over the medium term as the nutrition support programme and result-based service delivery model will be implemented by national government
- R737 million is shifted from National Health Insurance Grant to the National Tertiary Services Grant, to allow for the funding of oncology services to be consolidated under a single conditional grant
- To improve the management of the National Health Insurance Indirect Grant, the Personal Services component and the Non-Personal services component have been merged to form a new Health Systems Component

## Additions

- The Western Cape Rapid Schools Build Programme has been provisionally allocated funding over the MTEF period through the BFI
  - Funds for 2024/25 will flow at the time of the 2024 Adjustment Budget provided the Western Cape Education Department meets the stipulated conditions



# Changes to direct provincial transfers

- Due constrained fiscal environment, a careful balance had to be made to ensure that the fiscal framework is credible
- This meant some funds had to be reduced for fiscal consolidation and redirected to other pressing government priorities:
  - Net additions to provinces after accounting for reductions and reprioritisations is R19.3 billion over the MTEF. Made up of net addition of R40 billion to provincial equitable share

<b>Revisions to direct transfers to provincial government</b>				
<b>R million</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>MTEF total revision</b>
<b>Additions to baseline</b>	<b>33 803</b>	<b>35 089</b>	<b>36 577</b>	<b>105 469</b>
Provincial equitable share	32 559	33 782	35 207	101 548
Conditional grants	1 244	1 307	1 371	3 921
<b>Reductions to baselines</b>	<b>-24 806</b>	<b>-28 909</b>	<b>-32 420</b>	<b>-86 135</b>
Provincial equitable share	-19 583	-20 611	-21 337	-61 531
Conditional grants	-5 223	-8 297	-11 083	-24 604
<b>Net changes to baseline</b>	<b>8 997</b>	<b>6 180</b>	<b>4 157</b>	<b>19 334</b>
Provincial equitable share	12 976	13 171	13 870	40 017
Conditional grants	-3 979	-6 991	-9 713	-20 683

# 2024 MTEF Western Cape Provincial Allocations (1 of 2)

Western Cape	2024/25	2025/26	2026/27	MTEF total
<b>R thousand</b>				
<b>Transfers from National</b>	<b>76 925 518</b>	<b>79 165 536</b>	<b>82 405 463</b>	<b>238 496 517</b>
<i>of which</i>				
<b>Equitable share</b>	<b>62 071 168</b>	<b>64 728 396</b>	<b>67 587 920</b>	<b>194 387 484</b>
<b>Conditional grants</b>	<b>14 854 350</b>	<b>14 437 140</b>	<b>14 817 543</b>	<b>44 109 033</b>
<i>of which</i>				
<b>Agriculture, Land Reform and Rural Development</b>	<b>174 294</b>	<b>199 818</b>	<b>209 019</b>	<b>583 131</b>
Comprehensive Agricultural Support Programme Grant	124 426	127 524	133 412	385 362
Ilima/Letsema Projects Grant	43 322	65 455	68 455	177 232
Land Care Programme Grant: Poverty Relief and Infrastructure Development	6 546	6 839	7 152	20 537
<b>Basic Education</b>	<b>2 053 224</b>	<b>2 047 589</b>	<b>2 145 064</b>	<b>6 245 877</b>
Early Childhood Development	124 357	141 394	147 872	413 623
<i>Infrastructure Component</i>	16 349	6 801	7 113	30 263
<i>Subsidy Component</i>	108 008	134 593	140 759	383 360
Education Infrastructure Grant	1 306 354	1 268 558	1 330 391	3 905 303
HIV and AIDS (Life Skills Education) Grant	18 923	19 761	20 657	59 341
Learners With Profound Intellectual Disabilities Grant	33 930	35 431	37 033	106 394
Maths, Science and Technology Grant	38 045	39 344	41 144	118 533
National School Nutrition Programme Grant	531 615	543 101	567 967	1 642 683
<b>Health</b>	<b>7 486 205</b>	<b>7 636 830</b>	<b>7 986 692</b>	<b>23 109 727</b>
District Health Programmes Grant	2 132 386	2 152 356	2 251 137	6 535 879
<i>Comprehensive HIV/AIDS Component</i>	1 891 809	1 900 901	1 988 099	5 780 809
<i>District Health Component</i>	240 577	251 455	263 038	755 070
Health Facility Revitalisation Grant	861 307	817 606	855 230	2 534 143
Human Resources and Training Grant	928 678	942 066	985 403	2 856 147
<i>Statutory Human Resources Component</i>	375 295	380 874	398 406	1 154 575
<i>Training Component</i>	553 383	561 192	586 997	1 701 572
National Health Insurance Grant	36 899	37 514	38 357	112 770
National Tertiary Services Grant	3 526 935	3 687 288	3 856 565	11 070 788

## 2024 MTEF Western Cape Provincial Allocations (2 of 2)

Western Cape	2024/25	2025/26	2026/27	MTEF total
<b>Human Settlements</b>	<b>1 988 187</b>	<b>1 989 648</b>	<b>1 794 788</b>	<b>5 772 623</b>
Human Settlements Development Grant	1 605 872	1 663 926	1 685 438	4 955 236
Informal Settlements Upgrading Partnership Grant: Provinces	382 315	325 722	109 350	817 387
<b>Public Works and Infrastructure</b>	<b>44 734</b>	<b>-</b>	<b>-</b>	<b>44 734</b>
Expanded Public Works Programme Integrated Grant for Provinces	20 496	-	-	20 496
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	24 238	-	-	24 238
<b>Sport, Arts and Culture</b>	<b>266 662</b>	<b>268 545</b>	<b>280 556</b>	<b>815 763</b>
Community Library Services Grant	201 168	202 228	211 261	614 657
Mass Participation and Sport Development Grant	65 494	66 317	69 295	201 106
<b>Transport</b>	<b>2 841 044</b>	<b>2 294 710</b>	<b>2 401 424</b>	<b>7 537 178</b>
Provincial Roads Maintenance Grant	1 610 643	1 009 187	1 057 006	3 676 836
Public Transport Operations Grant	1 230 401	1 285 523	1 344 418	3 860 342

# LOCAL GOVERNMENT ALLOCATIONS



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Local government transfers, 2024 MTEF

- Transfers to local government account for 9.8 per cent of nationally raised revenue
  - Majority of local government revenues are raised by municipalities through their revenue raising powers
- Overall direct allocations to local government grow by annual average of 5.2 per cent over the MTEF
- The *local government equitable share* grows at an annual average rate of 6.1 per cent over the MTEF


## Transfers to local government, 2024 MTEF

R million	2023/24	2024/25	2025/26	2026/27
	Adjusted budget	Medium-term estimates		
<b>Direct transfers</b>	<b>160 619</b>	<b>170 294</b>	<b>177 656</b>	<b>183 775</b>
<b>Equitable share and related</b>	<b>95 189</b>	<b>101 178</b>	<b>106 087</b>	<b>110 661</b>
Equitable share formula <sup>1</sup>	87 621	93 460	98 063	102 295
RSC levy replacement	6 524	6 647	6 909	7 207
Support for councillor remuneration and ward committees	1 044	1 071	1 115	1 160
<b>General fuel levy sharing with metros</b>	<b>15 433</b>	<b>16 127</b>	<b>16 849</b>	<b>17 621</b>
<b>Conditional grants</b>	<b>49 997</b>	<b>52 990</b>	<b>54 720</b>	<b>55 493</b>
Infrastructure	47 465	50 918	52 604	53 281
Capacity building and other	2 532	2 072	2 116	2 213
<b>Indirect transfers</b>	<b>8 297</b>	<b>7 098</b>	<b>7 540</b>	<b>8 034</b>
Infrastructure	8 150	6 954	7 389	7 876
Capacity building and other	147	145	151	158
<b>Total</b>	<b>168 916</b>	<b>177 393</b>	<b>185 196</b>	<b>191 810</b>

1. Outcome figures for the equitable share reflect amounts transferred after funds have been withheld to offset

# Local government equitable share

- Allocated through a formula to ensure fairness for all 257 municipalities
- Formula has updated data for:
  - Bulk water: 10.8 per cent (average water board bulk price increases)
  - Bulk electricity: 12.7 per cent (average of the Multi-Year Price Determination – 5)
  - Projected CPI for other costs
- The formula fully funds an estimated 11.2 million poor households



**Free basic services**  
**R76.1 billion**  
 R567.12 per month for a package of free basic services for SA households with an income of less than 2 old age pensions per month



**Institutional**  
 R6.9 billion to assist with administration costs

**Community Services**  
 R10.4 billion to fund community services

These funds are only allocated to poorer municipalities (some cities can fund these from own revenues)

Government also allocates just over R1.1 billion in 2024/25 to subsidise the cost of councillor remuneration

# Changes to local government allocations

## Reductions reversed and reductions adjusted downwards

- Previous reductions of R5.1 billion proposed to the general fuel levy sharing with metropolitan municipalities have been reversed
- Previous reductions to the integrated national electrification programme (municipal) grant, municipal disaster response grant and the municipal systems improvement grant were revised downwards

## Further reductions

To make funds available for other government priorities, reductions have been made to some municipal conditional grants over the 2024 MTEF period. Some of these include:

- Additional reduction of R3.5 billion to the integrated national electrification programme (Eskom) grant
- Additional reduction of R852 million to the indirect component of the regional bulk infrastructure grant

## Conversions

- R58 million in 2024/25 is converted from the direct component of the MIG to the indirect component
- R587 million from the direct component of the Regional Bulk Infrastructure Grant is converted to the indirect component

## Reprioritisations and additions

- R1.5 billion is shifted to the Municipal Disaster Recovery Grant to fund the repair and recovery of municipal infrastructure damaged by disasters
- R2 billion is shifted to fund the baseline for the new Smart Meters Grant
- R650 million is added in 2024/25 to the Neighbourhood Partnership Development Grant to fund the Cities Public Employment Programme

# Changes to local government conditional grants over the 2024 MTEF

## Introduction of the Smart Meters Grant

- To be introduced from 2024/25:
  - Administered by the National Treasury
  - Initial focus to be municipalities currently in the municipal debt relief programme
- Envisaged benefits:
  - Timely and accurate billing
  - Reduction of losses (technical and non-technical)
  - Better overall management of the electricity/water business through improved system integration, visibility and control
  - Sustainable electricity/water operations towards efficient trading services that are cost reflective and self-sustainable

## Urban Trading Service (water, electricity and solid waste) Reforms

- City trading services performance is declining – This has been driven by under investment in infrastructure, loss of management and skills, governance and leadership challenges, poor incentives in grants to leverage sustained performance etc
- Failing service delivery esp in the cities undermines South Africa's economic growth and social transformation agenda given they are engines of growth accounting of more than 60% of GDP
- National Treasury in collaboration with key sectors is facilitating the design of a programme with a financing incentive to facilitate institutional reform and investment needed to turnaround urban trading services
- Implementation is envisaged to start in 2024/25 with cities developing turnaround strategies to be eligible for the new grant that will be effective from 2025/26

## Enhancing the usage of regulatory frameworks in conditional grants system

- Use of results from DWS's Watch Reports in the prioritisation of water and sanitation projects funded from general purpose grants (USDG, IUDG and MIG)
- From 2024/25, municipalities are required to ensure that the results of the green drop, blue drop and no drop assessments are considered in the planning and prioritisation of projects (IUDG and MIG)



# LG Equitable Share allocations for 2024 MTEF (1 of 2)

Local Government Equitable Share Allocations, 2024 MTEF				
Code	Municipality	2024/25 R'000	Forward Estimates	
			2025/26 R'000	2026/27 R'000
<b>WESTERN CAPE</b>				
A	CPT City of Cape Town	4 365 700	4 710 208	5 087 103
B	WC011 Matzikama	81 640	87 581	93 964
B	WC012 Cederberg	71 545	75 872	80 249
B	WC013 Bergrivier	68 086	73 344	79 087
B	WC014 Saldanha Bay	138 465	148 957	160 358
B	WC015 Swartland	153 764	165 898	179 172
C	DC1 West Coast District Municipality	109 608	112 321	114 738
<b>Total: West Coast Municipalities</b>		<b>623 108</b>	<b>663 973</b>	<b>707 568</b>
B	WC022 Witzenberg	145 706	157 204	169 783
B	WC023 Drakenstein	231 574	249 848	269 840
B	WC024 Stellenbosch	215 604	232 617	251 231
B	WC025 Breede Valley	174 394	188 156	203 212
B	WC026 Langeberg	113 734	121 970	130 809
C	DC2 Cape Winelands District Municipality	263 660	273 850	285 342
<b>Total: Cape Winelands Municipalities</b>		<b>1 144 672</b>	<b>1 223 645</b>	<b>1 310 217</b>
B	WC031 Theewaterskloof	140 900	150 354	160 211
B	WC032 Overstrand	168 794	179 596	190 729
B	WC033 Cape Agulhas	43 073	45 901	48 854
B	WC034 Swellendam	46 412	49 522	52 787
C	DC3 Overberg District Municipality	86 644	88 069	88 889
<b>Total: Overberg Municipalities</b>		<b>485 823</b>	<b>513 442</b>	<b>541 470</b>

Source: Division of Revenue Bill, 2024

## LG Equitable Share allocations for 2024 MTEF (2 of 2)

Local Government Equitable Share Allocations, 2024 MTEF					
Code	Municipality	2024/25 R'000	Forward Estimates		
			2025/26 R'000	2026/27 R'000	
<b>WESTERN CAPE</b>					
B	WC041	Kannaland	37 479	38 912	40 067
B	WC042	Hessequa	63 158	67 548	72 214
B	WC043	Mossel Bay	139 609	148 759	158 279
B	WC044	George	230 472	248 659	268 556
B	WC045	Oudtshoorn	102 781	108 365	113 789
B	WC047	Bitou	154 148	161 224	167 516
B	WC048	Knysna	130 575	138 048	145 440
C	DC4	Garden Route District Municipality	182 224	187 789	193 452
<b>Total: Garden Route Municipalities</b>			<b>1 040 446</b>	<b>1 099 304</b>	<b>1 159 313</b>
B	WC051	Laingsburg	22 685	23 224	23 483
B	WC052	Prince Albert	30 299	31 231	31 860
B	WC053	Beaufort West	88 849	92 718	96 074
C	DC5	Central Karoo District Municipality	38 885	38 861	38 208
<b>Total: Central Karoo Municipalities</b>			<b>180 718</b>	<b>186 034</b>	<b>189 625</b>
<b>Total: Western Cape Municipalities</b>			<b>7 840 467</b>	<b>8 396 606</b>	<b>8 995 296</b>

Source: Division of Revenue Bill, 2024

# LG conditional grant allocations for 2024 MTEF

Conditional Grant Allocations, 2024 MTEF			
	2024/25 R'000	Forward Estimates	
		2025/26 R'000	2026/27 R'000
<b>Infrastructure transfers to local government</b>	<b>6 509 188</b>	<b>6 493 671</b>	<b>5 935 317</b>
<b>Direct transfers</b>	<b>6 374 282</b>	<b>6 338 282</b>	<b>5 803 771</b>
Municipal infrastructure grant	446 659	454 005	486 295
Integrated urban development grant	186 147	133 495	144 785
Urban settlements development grant	1 041 825	1 088 295	1 289 526
Public transport network grant	2 684 049	3 141 975	2 829 997
Informal settlements upgrading partnership grant for municipalities	592 962	619 527	647 910
Neighbourhood development partnership (capital) grant	206 714	62 000	51 616
Energy efficiency and demand-side management grant	18 500	20 000	21 692
Integrated national electrification programme (municipal) grant	145 508	161 663	155 973
Regional bulk infrastructure grant	894 000	490 000	-
Water services infrastructure grant	144 209	153 000	161 000
Rural roads asset management systems grant	13 709	14 322	14 977
<b>Indirect transfers</b>	<b>134 906</b>	<b>155 389</b>	<b>131 546</b>
Neighbourhood development partnership (technical assistance) grant	5 100	5 100	5 100
Integrated national electrification programme (Eskom) grant	114 975	134 273	110 406
Regional bulk infrastructure grant	14 831	16 016	16 040
<b>Capacity building transfers to local government</b>	<b>217 870</b>	<b>152 602</b>	<b>163 436</b>
<b>Direct transfers</b>	<b>207 943</b>	<b>142 700</b>	<b>149 000</b>
Programme and Project Preparation Support Grant	70 000	72 000	74 000
Infrastructure skills development grant	18 000	18 900	19 500
Local government financial management grant	49 800	51 800	55 500
Expanded public works programme integrated grant for municipalities	70 143	-	-
<b>Indirect transfers</b>	<b>9 927</b>	<b>9 902</b>	<b>14 436</b>
Municipal systems improvement grant	9 927	9 902	14 436
<b>Total Western Cape Municipalities</b>	<b>6 727 058</b>	<b>6 646 273</b>	<b>6 098 753</b>

Source: Division of Revenue Bill, 2024

# LG conditional grant expenditure, 2020/21 - 2022/23

Conditional Grants Expenditure, 2020/21 – 2022/23									
R '(000)	2020/21			2021/22			2022/23		
	Allocation	Outcome	% Spent	Allocation	Outcome	% Spent	Allocation	Outcome	% Spent
<b>Infrastructure transfers to local government</b>	<b>3 412 127</b>	<b>2 394 520</b>	<b>70,2%</b>	<b>3 865 543</b>	<b>3 149 450</b>	<b>81,5%</b>	<b>5 209 780</b>	<b>3 879 951</b>	<b>74,5%</b>
Municipal infrastructure grant	436 998	408 264	93,4%	454 428	434 407	95,6%	495 711	461 062	93,0%
Integrated urban development grant	104 833	104 833	100,0%	109 197	104 034	95,3%	127 736	121 817	95,4%
Urban settlements development grant	1 630 219	815 270	50,0%	965 544	628 427	65,1%	965 544	628 427	65,1%
Informal settlements upgrading partnership grant for municipalities	–	–	0,0%	518 140	460 587	88,9%	660 012	510 832	77,4%
Public transport network grant	902 840	867 153	96,0%	1 158 616	1 027 906	88,7%	1 551 361	1 302 417	84,0%
Neighbourhood development partnership (capital) grant	50 746	25 232	49,7%	191 399	168 759	88,2%	267 372	248 383	92,9%
Energy efficiency and demand-side management grant	24 300	23 906	98,4%	31 659	23 749	75,0%	27 500	25 618	93,2%
Integrated national electrification programme (municipal) grant	123 816	108 073	87,3%	189 571	141 675	74,7%	222 167	196 546	88,5%
Regional bulk infrastructure grant	10 000	–	0,0%	109 006	57 880	53,1%	451 690	225 144	49,8%
Water services infrastructure grant	116 022	35 420	30,5%	125 500	95 731	76,3%	140 460	122 931	87,5%
Rural roads asset management systems grant	12 353	6 369	51,6%	12 483	6 295	50,4%	10 263	8 074	78,7%
Municipal disaster recovery grant	–	–	0,0%	–	–	0,0%	289 964	28 700	9,9%
<b>Capacity building transfers to local government</b>	<b>178 046</b>	<b>137 812</b>	<b>77,4%</b>	<b>290 228</b>	<b>209 458</b>	<b>72,2%</b>	<b>238 786</b>	<b>205 838</b>	<b>86,2%</b>
Infrastructure skills development grant	16 995	15 205	89,5%	18 000	14 612	81,2%	17 446	17 446	100,0%
Local government financial management grant	46 645	43 411	93,1%	46 981	43 055	91,6%	48 253	35 314	73,2%
Expanded public works programme integrated grant for municipalities	106 479	73 374	68,9%	107 207	104 205	97,2%	97 491	92 677	95,1%
Municipal disaster response grant	7 927	5 822	73,4%	47 150	5 822	12,3%	–	–	0,0%
Municipal emergency housing grant	–	–	0,0%	–	–	0,0%	9 626	6 904	71,7%
Programme and project preparation support grant	–	–	0,0%	70 890	41 764	58,9%	65 970	53 497	81,1%
<b>Total Western Cape municipalities</b>	<b>3 590 173</b>	<b>2 532 332</b>	<b>70,5%</b>	<b>4 155 771</b>	<b>3 358 908</b>	<b>80,8%</b>	<b>5 448 566</b>	<b>4 085 789</b>	<b>75,0%</b>

1. Source: 2020/21, 2021/22 and 2022/23 MFMA Section 71 4th Quarter Publications

2. Numbers for the Urban Settlements Development Grant are as per the Department of Human Settlements submission

# Thank You

The Division of Revenue Bill, 2024, which includes details of changes to allocations to each province and municipality is available at:

<http://www.treasury.gov.za/documents/national%20budget/2024/default.aspx>

# ANNEXURES

- Government's responses to the FFC's recommendations
- Responses to SCoA and SeCoA recommendations on the 2023 DoRAB and 2023 MTBPS (as contained in Annexure A to the 2024 Budget Review)



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Responses to the FFC's recommendations



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Government's responses to the FFC's recommendations (1 of 2)

## Chapter 4 - Assessing the response to climate change in local government

**Commission recommended:** “National Treasury, together with COGTA and the DPW&I, should, as a starting point, revise formats for the infrastructure grant frameworks to include climate change response specifications so as to be able to gradually achieve climate resilient infrastructure, with a strategic approach in the medium to long term of incorporating climate change mitigation and adaptation measures to all infrastructure related projects”

**Governments response:** The government recognises that all municipalities should prioritise the construction of climate resilient infrastructure. Nonetheless, this process cannot be solely regulated through conditional grants. Conditional grants are established according to relevant sectoral policies, standards, and norms. Project appraisal officers must ensure that the specifications and engineering designs of each project align with these provisions, inclusive of those pertaining to climate change.

## Chapter 5 - Investigating spatial inequalities and the efficacy of municipal spending in driving local economic development

**Commission recommended:** “...the Minister of COGTA and the Minister of Finance should critically review the local government fiscal framework...”

**Governments response:** National Treasury is currently conducting a comprehensive review of the fiscal framework. The findings will undergo a rigorous consultative process, and all reforms will be phased in incrementally. It must be noted though that the diagnostic review of capacity building has indicated that poor local government performance is not primarily funding-related but is a result of systematic issues



# Government's responses to the FFC's recommendations (2 of 2)

## Chapter 5 - Investigating spatial inequalities and the efficacy of municipal spending in driving local economic development

**Commission recommended:** “Careful attention must be given to the funding mechanism of conditional grants and the Commission thus recommends that COGTA and National Treasury develop an appropriate funding mechanism or funding plan in a targeted and phased approach, which enhances the capacity of municipalities to spend conditional grants effectively. The DDM must be strengthened and financed for local government to fulfil its developmental role.”

**Governments response:** The National Treasury and COGTA are continuously reviewing and improving funding mechanisms to ensure effective spending of conditional grants. Through the conditional grants review process currently underway, government will work towards developing an appropriate funding mechanism for conditional grants in a targeted and phased approach while improving the capacity of municipalities to spend effectively

Funding to institutionalise the District Development Model is available through the Municipal Systems Improvement Grant for the 2024 MTEF period.

# Responses to SCoA recommendations on the 2023 DoRAB



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Responses to SCOA recommendations on the 2023 DoRAB

Summary of the recommendations made by SCoA on the DoRAB and Minister of Finance's responses included in Annexure A of the 2024 Budget Review

Recommendation	Minsiter's response
That the Minister of Finance ensures that National Treasury corrects its proposed changes to the conditional grants frameworks in line with Section 15(2) of the 2023 Division of Revenue Act.	The National Treasury notes the recommendation.
The Committee is concerned about infrastructure projects overshooting budget allocations; thus, it is recommended that government ensures that proper checks and balances must be in place for projects to be implemented within budgets and timeously.	The Budget Facility for Infrastructure monitors spending against the allocated amounts. In addition, the National Treasury uses the infrastructure reporting model, discussed in Annexure D, to monitor infrastructure budgets against spending and visits sites quarterly to check the implementation of projects.
The committee recommends that the Minister of Finance ensures that National Treasury introduce more transparent and credible processes be introduced in procurement to ensure the attainment of value for money.	The National Treasury notes the recommendation.
The committee recommends that the Minister of Finance ensures that National Treasury advertise all tenders at local community level after the contracts have been awarded inclusive of successful companies, names of directors, contract value and itemised billing.	The National Treasury has implemented an eTenders portal which advertises all public sector tender opportunities, tender awards and cancellations. The awarded bidder and director details, including the contract value, are published on the same platform.
Government and private companies should use infrastructure budgets to ensure localisation of goods and services and to create jobs for South Africans, especially young people.	The National Treasury notes the recommendation.

# Responses to SeCoA recommendations on the 2023 DoRAB



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



# Responses to SeCoA recommendations on the 2023 MTBPS

## Summary of the recommendations made by SeCoA on the on the proposed Division of Revenue and conditional grant allocations to provinces and municipalities as contained in the 2023 MTBPS

Recommendation	Minister's Response
<p>The National Treasury, together with the Department of Public Service and Administration, the Department of Planning, Monitoring and Evaluation and the Presidency should, within 60 days of the adoption of this Report by the House, ensure that clear plans are developed to expedite the review and reconfiguration of the executive functions to address duplications and inefficiencies.</p>	<p>The National Treasury notes the recommendation. It will continue to engage with the Presidency and other relevant institutions to expedite the reconfiguration of the state.</p>
<p>The National Treasury and provincial treasuries should, within 90 days of the adoption of this Report by the House, take steps to ensure that the Provincial Equitable Share (PES) task team expedite the review of the education component, ensuring that proper consultation with relevant stakeholders is conducted.</p>	<p>The technical review of the education component has been completed and consultations are now in progress.</p>
<p>The National Treasury, together with provincial treasuries and provincial departments should, within 60 days of the adoption of this Report by the House, take steps to ensure that the wage agreement is effectively implemented by provincial departments of education and health, and funds are utilised for their intended purpose.</p>	<p>The National Treasury is responsible for allocating funds to provinces and provincial legislatures are responsible for deciding how these funds are used through the provincial budget process.</p>
<p>The National Treasury should, within 60 days of the adoption of this Report by the House, take steps to fast-track the process of developing compulsory national norms and standards to regulate municipal surcharges on electricity and to identify alternative sources of revenue.</p>	<p>The National Treasury welcomes this recommendation.</p>
<p>The National Treasury, together with the Department of Water and Sanitation should, within 60 days of the adoption of this Report by the House, take steps to finalise the proposed conditions to ensure that the Urban Settlements Development Grant, the Integrated Urban Development Grant, and the Municipal Infrastructure Grant (MIG) are aligned with the Green Drop, Blue Drop and No Drop assessment to improve water management and wastewater systems.</p>	<p>The National Treasury welcomes this recommendation. It and the Department of Water and Sanitation are engaging the Department of Human Settlements and the Department of Cooperative Governance, as the transferring departments of these grants, to finalise the proposed conditions. This will promote efficient water management systems and sustainable development.</p>
<p>The Committee once again recommends that National Treasury review the funding model of local government and calls for more meaningful commitments to increase the proportion of the nationally raised revenue allocated to local government. The Committee further calls upon all municipalities to use their funds more effectively and productively to ensure value for money.</p>	<p>The National Treasury agrees with the need to review the funding model for local government. Chapter 6 outlines the work under way on this matter, including reviewing the funding model for local government and improving the local government equitable share formula, over the MTEF period.</p>