

# 2012 Division of Revenue Amendment Bill and Provincial and Local Government Fiscal Frameworks for 2013 MTEF

*Standing and Select Committees of Appropriations*

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Contents of 2012 Division of Revenue Amendment Bill (pages 1 and 2 of Bill)

- Section 12(4) of Money Bills Amendment Procedure and Related Matters Act requires that the Minister of Finance table a Division of Revenue Amendment Bill (DoRAB) with the revised fiscal framework if adjustments budget effects changes to the Division of Revenue Act (DoRA)
- The DoRAB contains two clauses
  - Clause 1 of the Bill provides for the substitution of Column A of Schedules 1, 2, 4, 5, 6 and 7 of DoRA, with new Column A Schedules, to deal with:
    - additional unconditional and conditional allocations to provinces and municipalities
    - allocation of unallocated conditional allocations to provinces and municipalities
    - re-allocation of conditional allocations in terms of section 19 of DoRA
    - roll-overs of conditional allocations to provinces and municipalities not transferred by national departments during 2011/12
    - increases to a conditional allocation to a province or municipality through a virement
    - re-allocation of conditional allocations that were not correctly reflected in Schedules
  - Clause 2 provides for the short title and commencement of the Bill

# In-Year Adjustments to provincial allocations

(1 of 3) (pages 2, 6 and 23 of Bill)

- Total in-year revisions to provinces amount to R4.4b
- Additions for Improved Conditions of Service (ICS) for higher than budgeted for wage agreement
  - Provinces budgeted for 5% for ICS for 2012 MTEF. Wage settlement of 7%
  - Cost of 2% gap is R4b
    - R3.9b – provincial equitable share
    - R87m - Further Education and Training (FET) Colleges grant

## Distribution of ICS Adjustments

R thousand	Total additions available	ICS for FET colleges	ICS added to Equitable share
Eastern Cape	630 946	11 330	619 616
Free State	269 970	5 849	264 121
Gauteng	687 185	19 712	667 473
Kw aZulu-Natal	854 775	19 025	835 750
Limpopo	547 777	9 156	538 621
Mpumalanga	330 979	2 589	328 390
Northern Cape	102 589	1 743	100 846
North West	260 920	4 556	256 364
Western Cape	360 611	13 376	347 235
<b>Total</b>	<b>4 045 752</b>	<b>87 336</b>	<b>3 958 416</b>

# In-Year Adjustments to provincial allocations

(2 of 3) (pages 5, 6, 11, 12, 23 and 24 of Bill)

- New grant for 2013 Africa Cup of Nations championship
  - R15m for provision of medical services for 2013 AFCON (R3m each to Eastern Cape, Gauteng, KwaZulu-Natal, Mpumalanga and North West)
- Additional funding for unforeseen and unavoidable spending
  - R180m for *Health Infrastructure Grant* to KwaZulu-Natal
  - R186m for *Hospital Revitalisation Grant* (R20m to KwaZulu-Natal and R166m to Free State)

## Revisions to conditional grant baseline allocations, 2012/13

R thousand	2012/13
<b>Additions to baseline</b>	
<b>Health</b>	<b>381 000</b>
AFCON Medical Services <sup>1</sup>	15 000
Health infrastructure grant	180 000
Hospital revitalisation grant	186 000
<b>Higher Education and Training</b>	<b>87 336</b>
FET Colleges grant	87 336
<b>Total additions to baselines</b>	<b>468 336</b>

1. New once-off conditional grant

# New provincial conditional grant framework

(page 3 of 3) (page 28 of Bill)

- Introduction of 2013 Africa Cup of Nations: Medical Services grant
  - Allocated to provinces where 2013 AFCON will be hosted (EC, GT, KZN, MP and NW)
  - Provides for health and medical services at 2013 AFCON championship
    - Establish medical centres with primary health care and emergency treatment capacity at specific venues
    - Provide Emergency Medical Services
    - Mass gathering preparations
    - Command and control function to ensure an effective health security strategy is provided
  - Conditions include
    - Compilation of SLAs by provincial departments of health
      - List of medical services to be provided; monitoring and reporting activities; and health awareness activities
    - Provinces to maintain separate budget related to AFCON activities

# 2012/13 Adjustments – Local Government

(pages 24 to 25 of Bill)

- There are no adjustments to the local government equitable share
- Conditional grants
  - Rollovers
    - R20m for Regional Bulk Infrastructure Grant for funds committed to projects in 2011/12 but not yet completed
    - R17.4m for Expanded Public Works Programme Integrated Grant for funds earned by municipalities in 2011/12 but not yet transferred
  - Savings
    - R13.6m and R138.9m on Regional Bulk Infrastructure Grant and Rural Households Infrastructure grant respectively
  - Additions
    - R123m to the 2013 Africa Cup of Nations Host Cities Operating Grant
    - R45.5m to the Expanded Public Works Programme Integrated Grant to provide for full incentive amounts earned by municipalities in 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2011/12 municipal financial year
  - Correction
    - Correction to Municipal Infrastructure Grant allocations for 2 municipalities in KwaZulu-Natal (this correction will not affect baseline of grant)

# Local Government conditional grant framework

(pages 29 to 31 of Bill)

- Introduction of the 2013 Africa Cup of Nations Host City Operating Grant
  - Grant will have conditions similar to those of the 2010 FIFA World Cup Host Cities Operating Grant and will provide for following costs:
    - operations of the 2013 AFCON championship
    - team accommodation and referee accommodation on match day-1, local transport for teams and referees
    - event security at stadiums, training venues and venues within stadium precinct
    - VIP hospitality
    - medical, disaster management and insurance
    - tournament branding
    - office equipment and competition equipment
    - volunteer meals, stipend and transport

# **2013 Medium Term Expenditure Framework:**

## ***Provinces and Local Government***



# Division of revenue

The 2013 MTEF reprioritises approximately R40bn of funds, provides drawdowns on the contingency reserve, and allows for the revision of budget baselines

## National departments 47%

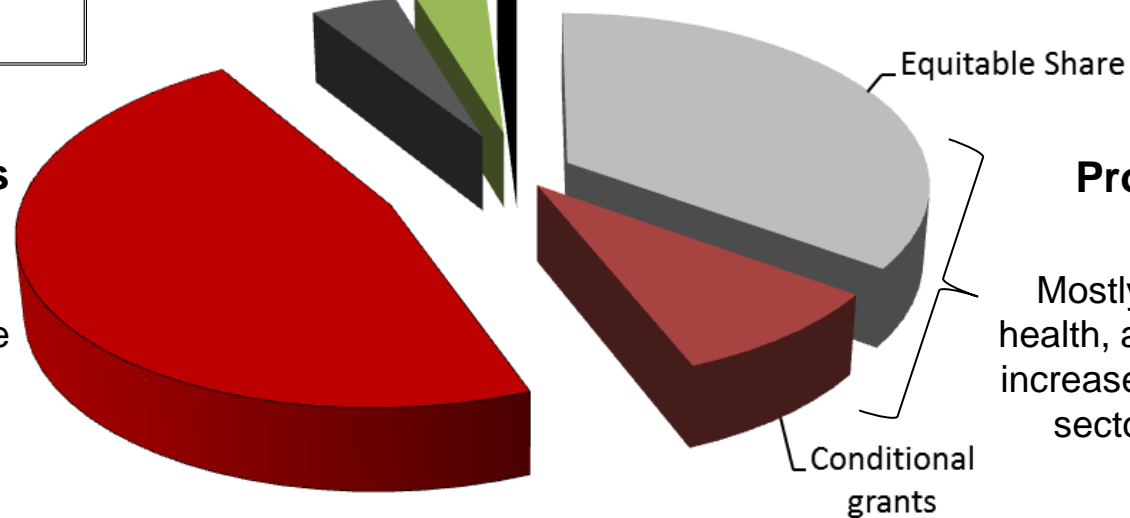
Main factors :

- salary costs & infrastructure

## Local government 9%

Mostly to accommodate infrastructure investment

Equitable Share  
Conditional grants  
General fuel levy sharing



## Provinces 44%

Mostly education, health, and cost of the increase in the public-sector wage bill

- The fiscus does not increase available funds beyond the 2012 budget baseline
- The aggregate non-interest spending ceiling will be retained for the 2013 Budget
- Drawdowns on the contingency reserve provide for limited increases in allocations, largely accommodating the costs of the 2012 public-sector wage agreement

# Change to provincial equitable share and grants: 2013 MTEF

- ❑ R27.7bn added to provincial equitable share
  - Costs of wage agreement
  - Growth in numbers of health practitioners, improved diagnostics in healthcare and greater welfare support
  - Improvements in education for learners from poor communities
  
- ❑ Conditional grants
  - Proposed increases for education infrastructure, higher take-up of antiretroviral medicines and increased condom distribution
  - Proposed adjustments to conditional grants
    - Cost of wage agreement at *Further Education and Training Colleges*
    - Cater for reduced donor funding of HIV and Aids prevention and treatment programme
    - Informal settlement upgrading
    - Further investment in provincial roads
    - Increased support to community library services
    - Improved school infrastructure delivery in provinces
  - Devolution of property rates fund grant to be phased out when grant conditions are met

# Revised provincial fiscal framework: 2012/13 - 2015/16

## Revisions to provincial Fiscal Framework, 2012/13 - 2015/16

R million	2012/13	2013/14	2014/15	2015/16	Total
<b><u>Equitable share</u></b>					
<b>Technical revisions</b>					
Original PES baseline 2013 MTEF	309,057	328,921	349,351	365,421	1,043,693
Reduction of 1%, 2% and 3%	–	786	1,666	2,604	5,056
<b>Revised PES baseline</b>	<b>309,057</b>	<b>328,135</b>	<b>347,685</b>	<b>362,817</b>	<b>1,038,637</b>
<b><u>Priorities funded</u></b>					
Improvements in Conditions of Service	3,958	6,494	8,033	11,526	26,053
Policy Priorities	–	642	1,588	4,453	6,683
<b>Total Provincial Equitable Share Baseline</b>	<b>313,015</b>	<b>335,270</b>	<b>357,306</b>	<b>378,796</b>	<b>1,071,373</b>
<b><u>Conditional Grants</u></b>					
Original conditional grant baseline	75,430	82,171	87,653	91,685	336,940
Net additions to provincial conditional grant	468	491	2,548	7,405	10,444
<b>Total Provincial Conditional Grant Baseline</b>	<b>75,898</b>	<b>82,662</b>	<b>90,202</b>	<b>99,090</b>	<b>271,953</b>
<b>Total Baseline</b>	<b>388,913</b>	<b>417,932</b>	<b>447,508</b>	<b>477,886</b>	<b>1,343,326</b>

# Change to local government equitable share and grants: 2013 MTEF

## ❑ Equitable share

- Compensate municipalities for increased costs to provide basic services

## ❑ Conditional grants

- Substantial investments made to assist municipalities with infrastructure rollout
  - Over R100bn between 2007/08 and 2011/12
- Targeted reforms to conditional grants needed for 2013 MTEF to cater for ...
  - Devolution of human settlements and public transport functions to urban municipalities
    - Cities be supported to create integrated human settlements
  - Greater technical support to rural municipalities
    - A new direct grant to enable Department of Water Affairs to help municipalities to provide clean drinking water to households
    - Expansion of integrated national electrification programme and subsidisation of critical refurbishment projects in electricity and water

# Revised local government fiscal framework: 2012/13 - 2015/16

## Revisions to local government fiscal framework, 2012/13 - 2015/16

R million	2012/13	2013/14	2014/15	2015/16	MTEF Totals
<b><u>Equitable share</u></b>					
Original LGES baseline	37,873	40,582	43,639	45,646	129,867
Reduction of 1%, 2% and 3%	-	-	-	-	-
Additions	-	-	200,651	4,009	204,661
<b>Total LGES</b>	<b>37,873</b>	<b>40,582</b>	<b>44,490</b>	<b>49,656</b>	<b>134,728</b>
<b>Sharing of the general fuel levy</b>	<b>9,040</b>	<b>9,613</b>	<b>10,190</b>	<b>10,659</b>	<b>30,462</b>
<b><u>Direct Conditional Grants</u></b>					
Original conditional grant baseline	30,429	33,663	36,878	38,574	109,115
Reduction of 1%, 2% and 3%	-	(83)	(315)	(454)	(851)
Additions	186	765	339	2,255	3,359
<b>Total direct LG conditional grant baseline</b>	<b>30,615</b>	<b>34,345</b>	<b>36,902</b>	<b>40,376</b>	<b>111,623</b>
<b>Total: Direct Transfers</b>	<b>77,528</b>	<b>84,540</b>	<b>91,583</b>	<b>100,690</b>	<b>276,813</b>
<b><u>Indirect conditional grants</u></b>					
Original conditional grant baseline	5,088	5,661	5,836	6,105	17,602
Reduction of 1%, 2% and 3%	(152)	(303)	(43)	(173)	(519)
Additions	20	500	1,599	3,332	5,431
<b>Total indirect LG conditional grant baseline</b>	<b>4,956</b>	<b>5,858</b>	<b>7,392</b>	<b>9,264</b>	<b>22,514</b>
<b>TOTAL TRANSFERS TO LG</b>	<b>82,484</b>	<b>90,398</b>	<b>98,975</b>	<b>109,954</b>	<b>299,327</b>

# Implications of Census 2011 for provinces and municipalities

## ❑ Census 2011 results will affect the division of revenue

- Released end-October 2012

## ❑ Provinces

- Equitable share formula (introduced in 2011 MTEF) to be updated for 2013 MTEF with latest available data (including results of Census 2011)
  - Provincial populations and children of school going age (5-17) per province
    - » Provinces with above average increases in population and learners will benefit
    - » Appropriate phase-in strategies will be considered to cushion impact on provinces adversely affected by data updates

## ❑ Local Government

- Equitable share
  - Review of formula underway and will be introduced alongside data updates
    - » Formula reforms include: improved targeting towards poorly resourced municipalities; catering for more regular data updates; and improved costing of municipal services
    - » Appropriate phase-in strategies to be considered to cushion impact
- Conditional grants
  - Comprehensive review to commence in 2013 for implementation in 2014/15
    - » Census 2011 to help determine areas where backlogs are most prevalent and to help target grants at areas with the most urgent needs

# THANK YOU