



Wes-Kaapse Provinsiale Parlement Western Cape Provincial Parliament IPalamente yePhondo leNtshona Koloni

Ref Number: 11/4/3

(Negotiating Mandate stage) Report of the Budget Committee on the Division of Revenue Bill [B 6-2022] (NCOP), dated 22 April 2022, as follows:

The Budget Committee, having considered the subject of the Division of Revenue Bill [B 6-2022] (NCOP) referred to it in accordance with Standing Rule 217, confers on the Western Cape's delegation in the NCOP the authority to not support the Bill.

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

According to the 2022 National Budget, national government has allocated 41.2% of national raised funds to provincial government (up 0.6% from 2021 MTBPS) and 9.1% to local governments (National Treasury, 2022a:70).

The Western Cape provincial government will receive:

- R 58.367 billion as it's equitable share, which is an increase of R3.919 billion (7.2%) from 2021/2022. This represents 10.41% of the total provincial equitable share for the 2022/2023 financial year.
- R 14.016 billion in conditional grants, which represents 11.51% of the conditional grants allocated to provinces (National Treasury, 2022b:69).

That is a net total of R72.383 billion.

There is an increase of Provincial Equitable Share from 2021/22 to 2022/23 of R15.922 billion (2.92%). In the medium term provinces are estimated to see a decrease in Provincial Equitable Share of R17.608 billion from 2022/23 to 2023/24, before an increase in 2024/25 to about R 2 billion more than 2022/23 (National Treasury, 2022a:72).

Local governments in the Western Cape will receive:

- R6.666 billion as its local government equitable share, which is an increase of 12.41% from the 2021/22 allocation. In the medium-term, local government is expected to see increases of 8% in 2022/23 and 8.31% in 2023/24, year-on-year (National Treasury, 2022b:41). Western Cape municipalities receive 7.64% of the total local government equitable share (National Treasury, 2022a:70).

Provincial Grant Allocations for the Western Cape are as follows:

National Dept (Vote)	Name of Allocation	Type of Allocation	2021/22 Allocation	Adjustment 2021/22	2021/22 Adjusted Allocation	2022/23 Allocation	Increase/Decrease	MTEF Growth Rate over 2022 MTEF
R '000								
Basic	Education	General	1 158 098	-	1 158 098	1 236 077	77 979	-0.1%

Education (Vote 16)	Infrastructure Grant	conditional allocation to provinces							
	Early Childhood Development Grant (Previously part of Social Development Vote 19)	Conditional allocation	102 273	17 228		119 501	95 866	(23 635)	-2.1%
	HIV and AIDs (Life Skills Education) Grant	Conditional allocation	20 368	-		20 368	17 822	(2 546)	3.1%
	Learners with Profound Intellectual Disabilities Grant	Conditional allocation	28 553	-		28 553	33 451	4 898	-0.7%
	Maths, Science and Technology Grant	Conditional allocation	36 347	-		36 347	37 814	1467	2.1%
	National School Nutrition Programme Grant	Conditional allocation	434 387	-		434 387	451 289	16 902	4.0%
Health (Vote 18)	National Tertiary Services Grant	General conditional allocation to provinces	3 272 981	-		3 272 981	3 401 057	128 076	1.2%
	District Health Programmes Grant (Previously: HIV, TB, Malaria and Community Outreach Grant)	Conditional allocation	2 147 742	23 134		2 170 876	2 268 294	97 418	-2.8%
	Health Facility Revitalisation Grant	Conditional allocation	724 865	(10 000)		714 865	796 590	81 725	2.1%
	Human Resources and Training Grant	Conditional allocation	795 929	5 447		801 376	899 442	98 066	0.2%
	National Health Insurance Grant	Nationally assigned function to provinces	17 779	-		17 779	43 605	25 826	0.8%
Transport (Vote 40)	Provincial Roads Maintenance Grant	General conditional allocation to provinces	1 099 046	-		1 099 046	960 309	(138 737)	5.0%
	Public Transport Operations Grant	General conditional allocation to provinces	1 132 644	-		1 132 644	1 127 813	(4 831)	4.4%
Agriculture, Land Reform and Rural Development (Vote 29)	Comprehensive Agricultural Support Programme Grant	Conditional allocation	116 753	-		116 753	122 087	5 334	2.0%
	Ilima/Letsema Projects Grant	Conditional allocation	57 721	-		57 721	58 933	1 212	3.1%
	Land Care	Conditional	5 451	-		5 451	5 532	81	8.8%

	Programme Grant: Poverty Relief and Infrastructure Development	allocation							
Human Settlements (Vote 33)	Human Settlements Development	Conditional allocation	1 575 285	-		1 575 285	1 628 418	53 133	4.5%
	Informal Settlements Upgrading Partnership Grant: Provinces	Conditional allocation	457 429	-		457 429	484 638	27 209	4.4%
Social Development (Vote 19)	Early Childhood Development Grant moved to Basic Education.								MOVED TO EDUCATION
Public Works and Infrastructure (Vote 13)	Expanded Public Works Programme Integrated Grant for Provinces	Conditional allocation	29 773	-		29 773	30 139	366	N/A
	Social Sector Expanded Public Works Programme Incentive Grant for Provinces	Conditional allocation	39 027	-		39 027	35 745	(3 282)	N/A
Sports, Arts and Culture (Vote 37)	Community Library Services Grant	Conditional allocation	188 862	-		188 862	190 102	1 240	2.9%
	Mass Participation and Sport Development Grant	Conditional allocation	88 884	-		88 884	91 221	2337	1.6%

Specific Purpose Allocations to Municipalities:

Name of Grant	Category	Municipality	2021/22 Allocation	Adjustment 2021/2022		2021/22 Adjusted Allocation	2022/23 Allocation	Increase/Decrease
						R '000		
Infrastructure Skills Development Grant	A	City of Cape Town	12 000	-		12 000	11 446	(554)
	B	George	6 000	-		6 000	6000	-
Local Government Financial Management Grant	A	City of Cape Town	1 000	-	-	1 000	1000	-
	B	Matzikama	1 550	-	-	1 550	1 771	221
	B	Cederberg	2 023	-	-	2 023	2 132	109
	B	Bergrivier	1 550	-	-	1 550	1 550	-
	B	Saldanha Bay	1 550	-	-	1 550	1 550	-
	B	Swartland	1 550	-	-	1 550	1 550	-
	C	West Coast District Municipality	1 000	-	-	1 000	1 000	-
	B	Witzenberg	1 550	-	-	1 550	1 550	-
	B	Drakenstein	1 550	-	-	1 550	1 550	-
	B	Stellenbosch	1 550	-	-	1 550	1 550	-
	B	Breede Valley	1 550	-	-	1 550	1 550	-
	B	Langeberg	1 550	-	-	1 550	1 550	-
	C	Cape Winelands District Municipality	1 000	-	-	1 000	1 000	-
B	Theewaterskloof	1 650	-	-	1 650	1 650	-	

	B	Overstand	1 550	-	-	1 550	1 550	-
	B	Cape Agulhas	1 550	-	-	1 550	1 550	-
	B	Swellendam	1 720	-	-	1 720	1 720	-
	C	Overberg District Municipality	1 000	-	-	1 000	1 000	-
	B	Kannaland	2 811	-	-	2 811	2 932	121
	B	Hessequa	1 550	-	-	1 550	1 550	-
	B	Mossel Bay	1 550	-	-	1 550	1 550	-
	B	George	1 550	-	-	1 550	1 721	171
	B	Oudtshoorn	2 663	-	-	2 663	2 800	137
	B	Bitou	1 550	-	-	1 550	1 721	171
	B	Knysna	1 550	-	-	1 550	1 721	171
	C	Garden Route District Municipality	1 000	-	-	1 000	1 000	-
	B	Laingsburg	1 750	-	-	1 750	1 750	-
	B	Prince Albert	1 650	-	-	1 650	1 650	-
	B	Beaufort West	1 914	-	-	1 914	2 085	171
	C	Central Karoo District Municipality	1 000	-	-	1 000	1 000	-
Expanded Public Works Programme Integrated Grant for Municipalities	A	City of Cape Town	49 772	-	-	49 772	42 406	(7 366)
	B	Matzikama	1 836	-	-	1 836	1 569	(267)
	B	Cederberg	1 755	-	-	1 755	1 359	(396)
	B	Bergrivier	2 075	-	-	2 075	1 662	(413)
	B	Saldanha Bay	2 646	-	-	2 646	2 907	261
	B	Swartland	1 832	-	-	1 832	1 873	41
	C	West Coast District Municipality	1 401	-	-	1 401	1 194	(207)
	B	Witzenberg	2 617	-	-	2 617	2 237	(380)
	B	Drakenstein	3 287	-	-	3 287	4 139	852
	B	Stellenbosch	5 998	-	-	5 998	4 928	(1 070)
	B	Breede Valley	2 965	-	-	2 965	3 301	336
	B	Langeberg	2 210	-	-	2 210	2 647	437
	C	Cape Winelands District Municipality	1 413	-	-	1 413	1 369	(44)
	B	Theewaterskloof	1 721	-	-	1 721	2 077	356
	B	Overstand	2 530	-	-	2 530	2 593	63
	B	Cape Agulhas	2 297	-	-	2 297	1 773	(524)
	B	Swellendam	1 682	-	-	1 682	1 497	(185)
	C	Overberg District Municipality	1 053	-	-	1 053	1 123	70
	B	Kannaland	1 359	-	-	1 359	1 031	(328)
	B	Hessequa	1 154	-	-	1 154	1 164	10
	B	Mossel Bay	1 672	-	-	1 672	1 935	263
	B	George	3 068	-	-	3 068	1 990	(1 078)
	B	Oudtshoorn	1 784	-	-	1 784	1 310	(474)
	B	Bitou	996	-	-	996	1 155	159
	B	Knysna	1 118	-	-	1 118	1 044	(74)
	C	Garden Route District Municipality	2 071	-	-	2 071	2 440	369
	B	Laingsburg	1 098	-	-	1 098	1 074	(24)
	B	Prince Albert	1 243	-	-	1 243	1 237	(6)
	B	Beaufort West	1 285	-	-	1 285	1 136	(149)
	C	Central Karoo District Municipality	1 269	-	-	1 269	1 321	52
Programme and Project Preparation Support Grant	A	City of Cape Town	70 890	-	-	70 890	65 970	(4 920)

Infrastructure Grant Allocations to Municipalities:

Name of Grant	Category	Municipality	2021/22 Allocation	Adjustment 2021/2022		2021/22 Adjusted	2022/23 Allocation	Increase/ Decrease
---------------	----------	--------------	--------------------	----------------------	--	------------------	--------------------	--------------------

					Allocation			
					R '000			
Municipal Infrastructure Grant	B	Matzikama	22 308	-	22 308	23 817	1 509	
	B	Cederberg	16 320	-	16 320	17 309	989	
	B	Bergrivier	15 134	-	15 134	16 017	883	
	B	Saldanha Bay	20 299	-	20 299	21 634	1 335	
	B	Swartland	22 301	-	22 301	33 810	11 509	
	B	Witzenberg	24 980	-	24 980	25 091	111	
	B	Breede Valley	36 260	-	36 260	44 987	8 727	
	B	Langeberg	23 025	-	23 025	24 597	1 572	
	B	Theewaterskloof	35 602	-	35 602	29 728	(5 874)	
	B	Overstrand	23 053	-	23 053	24 628	1 575	
	B	Cape Agulhas	11 373	-	11 373	11 929	556	
	B	Swellendam	12 362	-	12 362	13 005	643	
	B	Kannaland	10 594	-	10 594	11 083	489	
	B	Hessequa	14 181	-	14 181	24 982	10 801	
	B	Mossel Bay	25 277	-	25 277	27 046	1 769	
	B	George	42 262	-	42 262	45 508	3 246	
	Energy Efficiency and Demand Side Management Grant	B	Oudtshoorn	22 775	-	22 775	33 325	10 550
		B	Bitou	21 104	-	21 104	22 508	1 404
B		Knysna	26 260	-	26 260	39 114	12 854	
B		Laingsburg	6 719	-	6 719	6 870	151	
B		Prince Albert	7 718	-	7 718	7 956	238	
B		Beaufort West	14 521	-	14 521	15 353	832	
A		City of Cape Town	10 000	-	10 000	9 000	(1 000)	
B		Drakenstein	3 000	-	3 000	-	(3 000)	
B		Breede Valley	-	-	-	4 000	4 000	
B		Theewaterskloof	3 500	-	3 500	-	(3500)	
Integrated National Electrification Programme (Municipal) Grant	B	Overstrand	-	-	-	5 000	5 000	
	B	Swellendam	3 000	-	3 000	-	(3 000)	
	B	Hessequa	4 500	-	4 500	4 000	(500)	
	B	Mossel Bay	-	-	-	2 500	2 500	
	B	Bitou	4 159	-	4 159	-	(4 159)	
	B	Garden Route District Municipality	-	-	-	5000	5 000	
	B	-	-	-	-	-	-	
	B	Cederberg	17 000	-	17 000	24 000	7 000	
B	Bergrivier	1 000	-	1 000	-	(1 000)		
B	Saldanha Bay	5 087	-	5 087	-	(5 087)		
B	Swartland	8 355	-	8 355	17 600	9 245		
B	Witzenberg	12 762	-	12 762	-	(12 762)		
B	Drakenstein	10 965	-	10 965	10 000	(965)		
B	Stellenbosch	18 000	-	18 000	28 350	10 350		
B	Breede Valley	21 000	-	21 000	15 000	(6 000)		
B	Langeberg	2 890	-	2 890	-	(2 890)		
B	Theewaterskloof	7 120	-	7 120	-	(7 120)		
B	Overstrand	18 519	-	18 519	21 331	2 812		
B	Cape Agulhas	2 625	-	2 625	4 348	1 723		
B	Swellendam	5 867	-	5 867	-	(5 867)		
B	Kannaland	2 699	-	2 699	-	(2 699)		
B	Hessequa	-	-	-	2 893	2 893		
B	Mossel Bay	10 026	-	10 026	13 061	3 035		
B	George	15 100	-	15 100	38 036	22 936		
B	Oudtshoorn	3 206	-	3 206	-	(3 206)		
B	Bitou	4 250	-	4 250	8 718	4 468		
B	Knysna	-	-	-	10 730	10 730		
B	Beaufort West	6 100	-	6 100	11 000	4 900		
Rural Roads Asset Management Systems Grant	C	West Coast District Municipality	2 586	-	2 586	2 707	121	
	C	Cape Winelands	2 748	-	2 748	28 777	26 029	

		District Municipality						
	C	Overberg District Municipality	2 708	-		2 708	2 835	127
	C	Garden Route District Municipality	2 478	-		2 478	2 594	116
	C	Central Karoo District Municipality	1 963	-		1 963	2 055	92
Regional Bulk Infrastructure Grant	B	Matzikama	7 661	-		7 661	10 000	2 339
	B	Witzenberg	20 000	-		20 000	19 239	(761)
	B	George	-	81 345		81 345	240 648	159 303
Water Services Infrastructure Grant	B	Matzikama	41 935	-		41 935	9 196	(32 739)
	B	Cederberg	4 600	-		4 600	-	(4 600)
	B	Bergrivier	6 596	-		6 596	3 150	(3 446)
	B	Witzenberg	-	-		-	15 701	15 701
	B	Drakenstein	4 095	-		4 095	-	(4 095)
	B	Breede Valley	-	-		-	5 107	5 107
	B	Langeberg	20 000	-		20 000	-	(20 000)
	B	Theewaterskloof	2 500	-		2 500	-	(2 500)
	B	Overstand	5 182	-		5 182	27 439	22 257
	B	Cape Agulhas	7 700	-		7 700	17 000	9 300
	B	Swellendam	10 707	-		10 707	6 437	(4 270)
	B	Kannaland	10 000	-		10 000	-	(10 000)
	B	George	3 082	-		3 082	-	(3 082)
	B	Bitou	-	-		-	9 079	9 079
	B	Knysna	5 107	-		5 107	-	(5 107)
	B	Laingsburg	7 496	-		7 496	17 360	9 864
B	Prince Albert	-	-		-	6 552	6 552	
B	Beaufort West	-	-		-	28 439	28 439	
Integrated Urban Development Grant	B	Drakenstein	59 256	-		59 256	61 989	2 733
	B	Stellenbosch	56 941	-		56 941	65 747	8 806
Informal Settlements Upgrading Partnership Grant: Municipalities	A	City of Cape Town	518 140	-		518 140	549 012	30 872
Urban Settlements Development Grant	A	City of Cape Town	972 431	-		972 431	965 544	(6 887)
Neighbourhood Development Partnership Grant (Capital)	A	City of Cape Town	50 000	121 399		171 399	175 699	4 300
	B	Langeberg	10 000	-		10 000	5 000	(5 000)
	B	Knysna	10 000	-		10 000	5 000	(5 000)
Public Transport Network Grant	A	City of Cape Town	2 288 640	(1 340 000)		948 640	1 314 261	365 621
	B	George	183 379	-		183 879	191 410	7 531

Allocations-in-kind to Municipalities:

Name of Grant	Category	Municipality	2021/22 Allocation	Adjustment 2021/2022		2021/22 Adjusted Allocation	2022/23 Allocation	Increase/ Decrease
			R '000					
Municipal Systems Improvement Grant	C	Cape Winelands District Municipality	500	-		500	-	(500)
	C	Garden Route District Municipality	4 500	-		4 500	1405	(3 095)
	C	Central Karoo District Municipality	2 000	-		2 000	-	(2 000)

Integrated National Electrification Programme (Eskom) Grant	A	City of Cape Town	85 038	-		85 038	133 461	48 423
	B	Matzikama	-	-		-	4 493	4 493
	B	Cederberg	9 072	-		9 072	9 072	-
	B	Saldanha Bay	10 994	-		10 994	7 476	(3 518)
	B	Swartland	4 031	-		4 031	17646	13 615
	B	Stellenbosch	2 843	-		2 843	255	(2 588)
	B	Breede Valley	4 593	-		4 593	14 901	10 308
	B	Theewaterskloof	10 189	-		10 189	6 674	(3 515)
	B	Kannaland	284	-		284	-	(284)
	B	Mossel Bay	245	-		245	-	(245)
B	George	4 204	-		4 204	5 355	1 151	
Neighbourhood Development Partnership Grant (Technical Assistance)	A	City of Cape Town	5 000	-		5 000	5 000	-
	B	Drakenstein	1 200	-		1 200	100	(1 100)
	B	Langeberg	-	-		-	100	100
	B	George	-	-		-	2 500	2 500
	B	Knysna	1 000	-		1 000	2 000	
Regional Bulk Infrastructure Grant	B	Cederberg	21 973	-		21 973	15 197	(6 776)

Municipal Infrastructure Grant and Integrated Urban Development Grant:

Project Name	Category	Municipality	2022/23 Allocation R '000
Upgrading of Sarling and Chartsworth sport fields	B	Swartland	10 000
Upgrading of Dewel and Rawsonville sport grounds	B	Breede Valley	6 000
Construction of new cricket and soccer facility in Heidelberg	B	Hessequa	9 000
Upgrading of Bongolethu Sport Ground	B	Oudtshoorn	10 000
Construction of sport field and sport facilities in Bongani (Phase 2)	B	Knysna	11 000

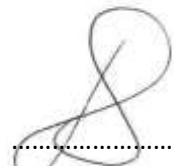
When reviewing the impact of the Division of Revenue for 2022/23 on the Western Cape, there are several issues that arise. While the increase in funding to the Western Cape is welcomed, this increase should also be seen in the larger context of the rising cost of living. With inflation reaching 5.7% year-on-year in February 2022, this means that in real terms funding is actually increasing by a very small margin year on year. The cost of water and electricity is increasing much faster than local allocations to municipalities, leaving local governments with a huge challenge to provide basic services at an acceptable level. The increase in funding for 2022/23 is also largely an once-off increase, with barely any growth forecasted over the medium term. Increases that did occur in allocations for Health and Education are still subject to prescriptions by National Government, leading to inflexibility when Provincial Government needs to make much-needed adjustments.

The Provincial Equitable Share (PES) Formula is still based to a large degree on data from the 2011 Census. The Western Cape has seen a relocation of people since then, and it is clear that it is not receiving its fair share. The revised allocations for the health component of the PES has also seen the Western Cape lose around R500 million in healthcare funding over the medium term. Important issues are omitted completely from the PES formula, including funding for Special Needs education and dealing with Gender-Based Violence (GBV). These issues are of utmost importance and require the Western Cape Government to find funding from other areas in the budget, having a knock-on effect on other services.

Furthermore, there is a lack of innovation from National Treasury regarding grants. The same grants are redistributed and moved around, but no new grants for the new challenges we are facing regarding energy, technology and jobs have been created. Current grants allocations aimed at job creation have a short-term focus that is unsustainable. A review of these allocations is necessary to provide long-term solutions to the unemployment crisis. Lastly, the process through which conditional grants are allocated to provinces is not transparent, leaving too much room for inefficiency and corruption.

Minority View

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



ADV D BAARTMAN, MPP

CHAIRPERSON: BUDGET COMMITTEE

DATE: 22 April 2022