



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

WCPP 11/6/3

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## COMMITTEE REPORT

**(Negotiating Mandate Stage)** Report of the Budget Committee on the Division of Revenue Bill [B 5-2026] (NCOP), dated 05 May 2026, as follows:

The Budget Committee, having considered the subject of the Division of Revenue Bill [B 5-2026] (NCOP) referred to it in accordance with Standing Rule 217, confers on the Western Cape's delegation in the NCOP the authority to support the Bill, with recommendations hereunder attached and included as follows:

The Budget Committee supports the Division of Revenue Bill [B 5- 2026] (NCOP), but places on record the following comments and recommendations:

1. That it notes the Division of Revenue Bill – 2026/27 has been presented within the context of South Africa having recorded economic growth of 1,1% in 2025 and unemployment remaining above 31%. Structural reforms to enable investment in electricity, logistics (ports and freight rail) and water infrastructure are progressing and will be essential to unlock stronger growth and increases in employment. A 3% annual inflation target has been established, accompanied by measures aimed at reducing debt service costs relative to the national debt.
2. That in terms of the allocation of the budget, the Western Cape has received a Provincial Equitable Share (PES) of R 69.552 billion for 2026/27, representing an increase of 4,78 percentage points above the revised estimate of R66.381 billion for 2025/26.
3. That Conditional Grants to the Western Cape for 2026/27 amount to R17.430 billion, which is slightly less than the R 17.592 billion received for 2025/26.
4. That it welcomes that included within the Conditional Grants there are allocations of Budget Facility for Infrastructure (BFI) funding for the new Metro East and Metro West hospitals and the Tygerberg Health Technology projects, amounting to R883 million over the 2026 Medium-Term Expenditure Framework (MTEF) period (with R176 million being for 2026/27).
5. That for the 2026/27 year, it welcomes the data updates were made to the PES formula impacting inter alia the Education and Health components of the formula. The poverty component has been updated using 2022/23 data rather than that from 2010/11 previously used. The updated formula improved the Western Cape's previous share from 10,3% (2025 MTEF) to 10,4% for the 2026 MTEF.
6. That the data updates to the PES will amount to an additional R1.2 billion over the MTEF for the Western Cape.
7. That over the MTEF additional allocations of R2.798 billion will flow through the PES to provide mainly for the multi-year effects on compensation of employees in the Education and Health sectors and for shortfall in goods and services within Health, the Early Retirement and Voluntary

exit programme, inflationary adjustments, equalisation of remuneration for Grade R, and additions to the Presidential Employment Stimulus. These adjustments are welcomed.

8. That it notes that over and above the data updates to the PES formula, National Treasury has decided to review the composition of the PES formula. This review is welcomed.
9. That it notes that the real PES per capita is declining where a comparison of cumulative population growth and real PES cumulative growth from 2016/17 to 2028/29 indicates that the gap keeps widening, as it indicates a declining real PES per capita, showing that the PES is failing to keep pace in real terms (i.e. inflationary or above inflationary growth in PES as a result of fiscal consolidation and the steadily increasing cumulative population growth experienced in the Western Cape). This divergence underscores the growing pressure on social service delivery systems, culminating in the erosion of per-capita fiscal capacity.
10. While the current PES formula is calculated on historic data, consideration needs to be given to the incorporation of forecasted population growth and forecasted economic growth into the PES formula. This would allow the formula and its funding to respond more adequately to provinces experiencing rapid population growth and would positively contribute toward economic growth and employment.
11. That it is concerned regarding the funding reduction on the newly merged the Comprehensive Agricultural Support Programme (CASP) Grant funding (previously separately known as the CASP grant and the Ilima/Letsema Grant), as this reprioritisation has led to the Western Cape having to supplement funding for the provincial department to prevent a reduction of services, and recommends that this is reviewed during the national adjustment process for all provinces.
12. That it is concerned regarding the reduction in the Human Settlements Development Grant. While the upgrading of informal settlements is an important policy priority, the reduction of this grant will result in the provincial department having less funding to prioritise for top structures and service sites; and recommends that this decision is reviewed during the national adjustment process for all provinces.
13. Notes that while the funding for Grade R, due to the implementation of the Basic Education Laws Amendment Bill (BELA), is welcomed, it should be noted that Grade R is now an immediately realizable right, and provinces are required to provide classrooms and teachers for Grade R. This means there is an immediate service delivery pressure on all provinces, despite provinces not being fully funded for the implementation of the new Grade R mandate. It is recommended that National Treasury reviews funding for Grade R to provinces to ensure provinces can adequately respond to the new mandate, as created through the BELA Bill.
14. Recommends that provinces be engaged as to which conditional grants can be phased into the PES, and if any, to phase in all conditional grant funding into the PES for all provinces. During the first few years, to establish stability, the National Treasury can request that Provincial Treasuries earmark the respective funding and report on it accordingly.
15. Recommends a comprehensive review and simplification of the regulatory requirements governing Public-Private Partnerships (PPPs); noting with concern that the current framework is characterised by onerous compliance burdens and protracted approval timelines that impede the integration of private sector efficiencies. It is further noted that these restrictive requirements act as a significant deterrent to private investors, potentially dissuading future involvement in critical infrastructure and service delivery. Streamlining these processes is essential to unlock private capital, foster innovation, and alleviate the fiscal pressure on the provincial and national fiscus while ensuring value for money and transparent risk-sharing.

**Conclusion**

For the reasons outlined above, the Budget Committee support the Division of Revenue Bill [B 5-2026] (NCOP). However, the Budget Committee of the Western Cape Provincial Parliament urge the National Treasury to act on these recommendations to ensure more equitable, responsive, and growth-orientated fiscal transfers across the country and within the Western Cape.



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**MR L VAN WYK, MPP**  
**CHAIRPERSON: BUDGET COMMITTEE**  
**DATE OF ADOPTION:**

**In terms of Standing Rule 90, the African National Congress, and PA and Al-Jama ah expressed its minority view to support the Bill.**