

*Monday, 7 July 2025]*

No 67 - 2025] SECOND SESSION, SEVENTH PARLIAMENT

# PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

## ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

MONDAY, 7 JULY 2025

### COMMITTEE REPORT

***(Negotiating mandate stage)* Report of the Budget Committee on the Division of Revenue Bill [B 15–2025] (NCOP), dated 4 July 2025, as follows:**

The Budget Committee, having considered the subject of the Division of Revenue Bill [B 15–2025] (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 15–2025] (NCOP), but places on record the following recommendations:

#### **1. Public sector wage agreement**

The additional one percentage point contribution from the national government towards the public sector wage agreement is noted. However, the Committee cautions against future agreements that exceed inflationary levels, as such settlements are fiscally unsustainable and place increasing pressure on provincial budgets. It is recommended that, in future, all centrally negotiated wage agreements that affect provinces must be fully funded by the national government to avoid the crowding out of frontline services.

#### **2. Tygerberg Hospital Budget Facility for Infrastructure (BFI) allocation**

While the Committee recognises the provisional BFI allocation to the Tygerberg Hospital Project, the Committee notes that this funding has not yet been finalised and does not form part of the current provincial allocation. It is therefore recommended that the final allocation be expedited, and that clarity be provided on the timelines for the transfer of these funds.

### **3. Provincial equitable share (PES) formula and data**

The Committee notes the updated population data used in the PES formula, but recognises that a full review of the formula is still required. The current phased implementation of these changes over three years delays urgently needed funding to high-growth provinces such as the Western Cape. It is therefore recommended that:

- o The PES formula be reviewed holistically, with an emphasis on more responsive mechanisms to population changes.
- o The implementation of data updates be fast-tracked to reflect real-time demographic realities.
- o Population data be given greater weighting, particularly in the light of a 19,6% increase in migration to the Western Cape over the past decade, which continues to strain health, education, social development and human settlements.
- o The PES formula include a stronger weighting for economic performance to incentivise growth, investment and job creation. Provinces driving national economic growth should be resourced better to maintain this momentum and to reduce poverty through expanded opportunity.

### **4. Vertical budget split**

The vertical division of revenue should allocate a greater share to provincial and local governments to reflect the increasing service delivery responsibilities at these levels. It is recommended that:

- o The share of national revenue to provinces be increased in both absolute and proportional terms.
- o Local governments receive no less than 10% of the vertical budget split as they play a critical role in basic service delivery and infrastructure.

### **5. BFI funding for the Belhar and Klipfontein hospital projects**

It is requested that urgent clarity be provided on the timelines for the disbursement of BFI funds linked to the Belhar and Klipfontein hospital projects, as these allocations have already been approved in previous division of revenue legislation, but have not yet materialised.

It is further requested that more BFI funding be made available to the municipalities of the Western Cape in order to stimulate and encourage local economic development in the support of local business opportunities in each region.

### **6. Disaster relief funding**

It is recommended that disaster funding to provinces be allocated through the main budget process, where possible, to allow departments the full financial year for planning and implementation. Current delays in the release of these funds undermine the effectiveness of provincial disaster responses.

### **7. Growth projections and fiscal forecasting**

The World Bank estimates South Africa's growth at just 0,7% in 2025, in line with the Western Cape Treasury's forecasts, and significantly lower than the National Treasury's 1,4% estimate used in the national budget. This discrepancy affects planning and debt sustainability. It is therefore recommended that:

- o The National Treasury review its GDP growth forecasts as part of the adjustment budget process.
- o Structural reforms be accelerated in areas such as digital infrastructure, energy and port efficiency to unlock higher growth.

## **8. Spending review and cost containment**

It is recommended that the National Treasury conduct a full expenditure review of national departments to eliminate wasteful spending. This should include a review of the Ministerial Handbook, among other cost-containment measures.

## **9. Comprehensive Agricultural Support Programme (CASP) scheduling**

It is requested and recommended that the CASP grant schedule be rescheduled from Level 5 to Level 4. This is to ensure that the agricultural sector is fully supported by each province and to avoid any financial current and future liquidation or financial distress in the agricultural sector of each province.

## **10. Conditional grant allocations**

It is recommended that the conditional grants to municipalities be increased, and that the National Treasury and provincial treasuries monitor and evaluate the expenditures together to avoid an under-expenditure.

## **11. Return on SARS allocation**

It is requested that the National Treasury provide clarity on the intended outcomes of the additional funding allocated to SARS for enhanced revenue collection in the current financial year, specifically:

- o What is the estimated return on investment of this allocation?
- o What specific outcomes and capabilities will the additional funds support?
- o How was the allocation calculated?

## **12. Flow of Education and Health funding**

While the national budget has announced additional allocations to Education and Health, the Budget Committee of the Western Cape Provincial Parliament requests clarity on when these funds will be transferred to provinces to allow for timely planning and service delivery.

## **Conclusion**

For the reasons outlined above, the Budget Committee supports the Division of Revenue Bill [B 15–2025] (NCOP). However, the Budget Committee of the Western Cape Provincial Parliament urges the National Treasury to act on these recommendations to ensure more equitable, responsive and growth-orientated fiscal transfers across the country and in the Western Cape.