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No 50 - 2021] THIRD SESSION, SIXTH PARLIAMENT

PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 20 MAY 2021

COMMITTEE REPORT

(Negotiating Mandate stage) Report of the Budget Committee on the Division of Revenue Bill [B 3–2021] (NCOP), dated 18 May 2021, as follows:

The Budget Committee, having considered the subject of the Division of Revenue Bill [B 3–2021] (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:

Division of Revenue 2021/2022 Financial Year

According to the National Budget that was tabled by Finance Minister Tito Mboweni on 24th February 2021, national government has allocated 41.5% of national raised fund to provincial government and 9% to local governments.

The Western Cape provincial government will receive:

- **R 54 448 million¹ as its equitable share** which is an **increase of R771 million** (1.4%) from the 2020/21 budget. This represents 10.39% of the provincial equitable share for the 2021/22 financial year.
- **R13 530 million in conditional grants** which represents 11.68% of the conditional grants allocated to the provinces.

Which is a **net total of R67 978 million.²**

Provinces are facing large reductions in the Provincial Equitable Share (PES) over the next three years. Relative to the 2020 Budget, the PES will be reduced by R5.232 billion in 2021/22; R8.743

¹ National Treasury. 2021a. p73.

² National Treasury. 2021c. p13.

billion in 2022/23 and R6.761 billion in 2023/24; aggregating to a total of R20.737 billion over the 2021 Medium Term Expenditure Framework (MTEF). These reductions, over the MTEF, are to account for the freezing of the public sector wages (R8.541 billion), compensation-related fiscal consolidation reductions (R10.228 billion) and non-compensation related fiscal consolidated reductions (R3.198 billion).

The Local Government Equitable Share (LES) will decrease by R3.1 billion to R78 billion in the 2021/22 financial year which is a decline of 9% for the 2020/21 revised allocation of R85.7billion.

It is important to note that the local government sphere received R11 billion in the previous financial year in order to respond to Covid-19. In comparison to the original budget for the 2020/21 financial year, local government's equitable share is increasing by 4.4%.

Local Governments in the Western Cape will receive **R5 930 million as its local government equitable share** which is a **decrease** of 7.5% from the revised 2020/21 allocation and represents 7.6% of the revenue share in the 2021/22.

When reviewing the equitable share for the Western Cape, several issues arise which need to be taken into consideration regarding the proposed allocation for the province. Firstly, the equitable share formula does not take in account the holistic provision needed for individuals moving towards economic centers such as the Western Cape and Gauteng. Components of the PES are used to measure the demand for government services within a province which included the largest provincial competencies such as health and education. However, there is a delay in the reporting of the population increases since the population figures for the previous year are used for the population variable in the PES formula. Therefore, the outdated data used to calculate the PES results in insufficient funds to deliver services and address the needs of residents in the Western Cape. The retrospective nature of the calculation does not allow for the need to deliver services immediately to residents.

Furthermore, the cumulative effect of Cost of Living Adjustment is not accounted for in the formula which have largely negated the population adjustments that have been incorporated.

Secondly, continued maladministration and entrenched corruption poses a serious risk to the financial wellbeing and stability of governments within South Africa. Further bailout of state-owned enterprises such as South African Airways continue to lead to decreases in provincial budgets. For example, during the second adjustment budget for the 2020/21 financial year, R2.3 billion was cut from the Western Cape's budget in large part due to the R10 billion bailout of SAA which had been announced by the Minister of Finance, Tito Mboweni in November 2020.

Thirdly, the National Treasury does not hold all provinces responsible for enforcing efficiency mechanisms. For example, in the Eastern Cape, 1 900 schools have been earmarked for closure. However, the Eastern Cape Province is still receiving funding for these schools while they are still in operation. This is funding that could be better spent on well performing Departments of Education in provinces where the increase number of learners have necessitated the need for larger classrooms, more teachers and new schools.

Finally, Premier Alan Winde wrote to President Cyril Ramaphosa indicating that the province had concerns with funding to combat Covid-19 in the province in the first half of last year. The President indicated that funding would not be an obstacle and that national government would mobilise R20 billion to fight the pandemic. Despite the commitment of funding for the Western Cape, national

government has hamstrung provincial finances which lead to the Western Cape mobilising R1.7 billion of its fiscal reserves in order to cushion provincial departments from severe cuts to their budgets.

It is for these reasons that it is proposed that the Western Cape Provincial Parliament does not support the proposal of the division of revenue.

Provincial Conditional Grants

R129 million will be added to the *Health Facility Revitalisation Direct Grant* over the MTEF in 2021 for the construction of the Tygerberg Regional Hospital and the Klipfontein Hospital with R14 million this year.³

There is a new addition to the Covid-19 funding component, namely the HIV, TB, Malaria and Community Outreach Grant that will only be allocated during the 2020/21 financial year.⁴ R2.4 billion has also been allocated to the provinces for the Covid-19 vaccine rollout through this grant. Two new components of Mental Health Services and Oncology have been added to the grant.⁵

A new standalone grant, the *Informal Settlement Upgrading Grant*, has been introduced in 2021 and consists of a component previously found within the *Human Settlements Development Grant*. The Western Cape has been allocated R457.4 million of the R3.9 billion allocated to the grant for the 2021/22 financial year.⁶

Provincial Grant Allocations for the Western Cape are as follows:

National Dept (Vote)	Name of Allocation	Type of Allocation	2020/21 Allocation	1 st Adjustment 2020/21	2 nd Adjustment 2020/2021	2020/21 Adjusted Allocation	2021/22 Allocation	Increase/ Decrease
			R '000					
Basic Education (Vote 16)	Education Infrastructure Grant	General conditional allocation to provinces	1 091 162	(159 441)	-	931 721	1 158 098	226 377
	HIV and AIDs (Life Skills Education) Grant	Conditional allocation	19 878	(4 802)	-	15 076	20 368	5 292
	Learners with Profound Intellectual Disabilities Grant	Conditional allocation	28 499	-	-	-	28 553	54
	Maths, Science and Technology Grant	Conditional allocation	35 479	(5 069)	-	30 410	36 347	5 937
	National School Nutrition Programme Grant	Conditional allocation	412 548	-	-	-	434 387	21 839
Health (Vote 18)	National Tertiary Services Grant	General conditional allocation to provinces	3 426 618	-	(30 010)	3 396 608	3 272 981	(123 627)

³ NCOP. Research Unit. 2021. p7.

⁴ NCOP. Research Unit. 2021. p7.

⁵ Ibid, p8.

⁶ Ibid, p7.

	Health Facility Revitalisation Grant	Conditional allocation	698 793	-	-	-	724 865	26 072
	HIV, TB, Malaria and Community Outreach Grant	Conditional allocation	1 867 472	552 220	9 426	2 429 118	2 147 742	(281 376)
	Human Resources and Training Grant	Conditional allocation	881 370	-	(11 514)	869 856	795 929	73 927
	National Health Insurance Grant	Conditional allocation	19 480	-	-	-	17 779	(1 701)
Transport (Vote 40)	Provincial Roads Maintenance Grant	General conditional allocation to provinces	1 067 344	(161 654)	61 316	967 006	1 099 046	132 040
	Public Transport Operations Grant	General conditional allocation to provinces	1 073 596	-	-	-	1 132 644	59 048
Agriculture, Land Reform and Rural Development (Vote 29)	Comprehensive Agricultural Support Programme Grant	Conditional allocation	111 555	(21 212)	(1 042)	89 301	116 753	27 452
	Ilima/Letsema Projects Grant	Conditional allocation	50 464	(9 084)	(492)	40 888	57 721	16 833
	Land Care Programme Grant: Poverty Relief and Infrastructure Development	Conditional allocation	5 045	-	(60)	4 985	5 451	466
Human Settlements (Vote 33)	Human Settlements Development	Conditional allocation	1 907 551	(202 265)	-	1 705 286	1 575 285	(130 001)
	Informal Settlements Upgrading Partnership Grant: Provinces	Conditional allocation	-	-	-	-	457 429	457 429
Social Development (Vote 19)	Early Childhood Development Grant	Conditional allocation	87 152	-	53 067	140 219	102 273	(37 946)
Public Works and Infrastructure (Vote 13)	Expanded Public Works Programme Integrated Grant for Provinces	Conditional allocation	25 983	-	-	-	29 773	3 790
	Social Sector Expanded Public Works Programme Incentive Grant for Provinces	Conditional allocation	42 950	-	-	-	39 027	(3 923)
Sports, Arts and Culture (Vote 37)	Community Library Services Grant	Conditional allocation	186 126	(34 700)	-	151 426	188 862	37 436

	Mass Participation and Sport Development Grant	Conditional allocation	83 491	(22 684)	(453)	60 354	88 884	28 530
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Allocations to Municipalities to Supplement the Functions Funded from Municipal Budgets:

Vote	Name of allocation	City	2020/21 Allocation	1 st Adjustment 2020/2021	2 nd Adjustment 2020/2021	2020/21 Adjusted Allocation	2021/22 Allocation	Increase/ Decrease
			R '000					
Human Settlements (Vote 33)	Urban Settlements Development Grant	City of Cape Town	1 481 604	(144 459)	-	1 337 145	972 431	(364 714)
National Treasury (Vote 8)	Integrated City Development Grant	City of Cape Town	65 944	-	(784)	65 160	-	(65 160)

Local Government Grant Transfers

The scope of the Municipal Infrastructure Grant will be expanded to allow municipalities to use up to 5% of their allocation to develop Infrastructure Asset Management Plans.⁷ In addition, a new standalone grant, the *Informal Settlement Upgrading Partnership Grant*, has been introduced in the 2021/22 financial year and consists of components previously located within the *Urban Settlements Development Grant*.⁸

Specific Purpose Allocations to Municipalities:

Name of Grant	Category	Municipality	2020/21 Allocation	1 ST Adjustment 2020/21	2 nd Adjustment 2020/21	2020/21 Adjusted Allocation	2021/22 Allocation	Increase/ Decrease
			R '000					
Infrastructure Skills Development Grant	A	City of Cape Town	11 000	-	(131)	10 869	12 000	1 131
	B	George	6 200	-	(74)	6 126	6 000	(126)
Local Government Financial Management Grant	A	City of Cape Town	1 000	-	-	-	1 000	-
	B	Matzikama	1 550	-	-	-	1 550	-
	B	Cederberg	2 011	-	-	-	2 023	12
	B	Bergvriër	1 550	-	-	-	1 550	-
	B	Saldanha Bay	1 550	-	-	-	1 550	-
	B	Swartland	1 550	-	-	-	1 550	-
	C	West Coast District Municipality	1 000	-	-	-	1 000	-
	B	Witzenberg	1 550	-	-	-	1 550	-
	B	Drakenstein	1 550	-	-	-	1 550	-
	B	Stellenbosch	1 550	-	-	-	1 550	-
	B	Breede Valley	1 550	-	-	-	1 550	-
	B	Langeberg	1 550	-	-	-	1 550	-
	C	Cape Winelands District Municipality	1 000	-	-	-	1 000	-
	B	Theewaters-kloof	1 700	-	-	-	1 650	(50)

⁷ NCOP. Research Unit. 2021. p14.

⁸ NCOP. Research Unit. 2021. p13.

	B	Overstand	1 550	-	-	-	1 550	-
	B	Cape Agulhas	1 550	-	-	-	1 550	-
	B	Swellendam	1 770	-	-	-	1 720	(50)
	C	Overberg District Municipality	1 000	-	-	-	1 000	-
	B	Kannaland	2 647	-	-	-	2 811	164
	B	Hessequa	1 550	-	-	-	1 550	-
	B	Mossel Bay	1 550	-	-	-	1 550	-
	B	George	1 550	-	-	-	1 550	-
	B	Oudtshoorn	2 517	-	-	-	2 663	146
	B	Bitou	1 550	-	-	-	1 550	-
	B	Knysna	1 550	-	-	-	1 550	-
	C	Garden Route District Municipality	1 000	-	-	-	1 000	-
	B	Laingsburg	1 800	-	-	-	1 750	(50)
	B	Prince Albert	1 700	-	-	-	1 650	(50)
	B	Beaufort West	1 700	-	-	-	1 914	214
	C	Central Karoo District Municipality	1 000	-	-	-	1 000	-
Expanded Public Works Programme Integrated Grant for Municipalities	A	City of Cape Town	44 772	-	-	-	49 772	5 000
	B	Matzikama	1 940	-	-	-	1 836	104
	B	Cederberg	2 121	-	-	-	1 755	366
	B	Bergervier	2 135	-	-	-	2 075	(60)
	B	Saldanha Bay	2 870	-	-	-	2 646	(224)
	B	Swartland	1867	-	-	-	1 832	(35)
	C	West Coast District Municipality	1 187	-	-	-	1 401	214
	B	Witzenberg	2 360	-	-	-	2 617	257
	B	Drakenstein	4 093	-	-	-	3 287	(806)
	B	Stellen-bosch	4 961	-	-	-	5 998	1 037
	B	Breede valley	3 076	-	-	-	2 965	(111)
	B	Langeberg	2 024	-	-	-	2 210	186
	C	Cape Winelands District Municipality	1 503	-	-	-	1 413	(90)
	B	Theewaters-kloof	1 931	-	-	-	1 721	(210)
	B	Overstand	2 500	-	-	-	2 530	30
	B	Cape Agulhas	2 026	-	-	-	2 297	271
	B	Swellendam	1 804	-	-	-	1 682	(122)
	C	Overberg District Municipality	1 188	-	-	-	1 053	(135)
	B	Kannaland	1 171	-	-	-	1 359	188
	B	Hessequa	1 158	-	-	-	1 154	(4)
	B	Mossel Bay	2 539	-	-	-	1 672	(867)
	B	George	4 109	-	-	-	3 068	(1 041)
	B	Oudtshoorn	2 243	-	-	-	1 784	(459)
	B	Bitou	2 173	-	-	-	996	(1177)
	B	Knysna	1 254	-	-	-	1 118	(136)
	C	Garden Route District Municipality	2 072	-	-	-	2 071	(1)
	B	Laingsburg	1 252	-	-	-	1 098	(154)
	B	Prince Albert	1 032	-	-	-	1 243	211
	B	Beaufort West	1 859	-	-	-	1 285	(574)
	C	Central Karoo District Municipality	1 262	-	-	-	1 269	(7)

Programme and Project Preparation Support Grant	A	City of Cape Town	-	-	-	-	70 890	70 890
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Infrastructure Grant Allocations to Municipalities:

Name of Grant	Category	Municipality	2020/21 Allocation	1 ST Adjustment 2020/21	2 nd Adjustment 2020/21	2020/21 Adjusted Allocation	2021/22 Allocation	Increase/Decrease
			R '000					
Municipal Infrastructure Grant	B	Matzikama	31 190	-	(383)	30 807	22 308	(8 499)
	B	Cederberg	15 590	-	(191)	15 399	16 320	921
	B	Bergrivier	14 479	-	(178)	14 301	15 134	833
	B	Saldanha Bay	19 311	-	(237)	19 074	20 299	1 225
	B	Swartland	21 183	-	(260)	20 923	22 301	1 378
	B	Witzenberg	22 286	-	(273)	22 013	24 980	2 967
	B	Breede Valley	34 240	-	(420)	33 820	36 260	2 440
	B	Langeberg	21 960	-	(268)	21 592	23 025	1 433
	B	Theewaters-kloof	26 275	-	(332)	25 953	35 602	9 649
	B	Overstand	21 887	-	(269)	21 618	23 053	1 435
	B	Cape Agulhas	10 961	-	(135)	10 826	11 373	547
	B	Swellendam	20 887	-	(9 148)	11 739	12 362	623
	B	Kannaland	10 233	-	(126)	10 107	10 594	487
	B	Hessequa	13 588	-	(167)	13 421	14 181	760
	B	Mossel Bay	23 967	-	8 598	32 565	25 277	(7 288)
	B	George	39 851	-	(485)	39 366	42 262	2 896
	B	Oudtshoorn	21 627	-	(265)	21 362	22 775	1 413
	B	Bitou	20 063	-	(246)	19 817	21 104	1 287
	B	Knysna	24 887	-	(305)	24 582	26 260	1 678
	B	Laingsburg	6 609	-	(80)	6 529	6 719	190
	B	Prince Albert	7 543	-	(93)	7 450	7 718	268
	B	Beaufort West	13 906	-	(172)	13 734	14 521	787
Energy Efficiency and Demand Side Management Grant	A	City of Cape Town	10 000	(1 000)	-	9 000	10 000	1 000
	B	Swartland	4 000	(400)	-	3 600	-	(3 600)
	B	Drakenstein	-	-	-	-	3 000	3 000
	B	Theewaters-kloof	4 000	(400)	-	3 600	3 500	(100)
	B	Swellendam	-	-	-	-	3 000	3 000
	B	Hessequa	4 000	(400)	-	3 600	4 500	900
	B	George	5 000	(500)	-	4 500	-	-
	B	Bitou	-	-	-	-	4 159	4 159
Integrated National Electrification Programme (Municipal) Grant	B	Matzikama	850	-	-	-	-	(850)
	B	Cederberg	22 754	(5 754)	-	17 000	17 000	17 000
	B	Bergrivier	3 000	(1 000)	-	2 000	1 000	(1 000)
	B	Saldanha Bay	5 000	(2 000)	-	3 000	5 087	2 087
	B	Swartland	7 652	(2 000)	-	5 652	8 355	2 703
	B	Witzenberg	-	-	-	-	12 762	12 762
	B	Drakenstein	27 000	(10 000)	-	17 000	10 965	(6 035)
	B	Stellenbosch	16 200	(4 200)	-	12 000	18 000	6 000
	B	Breede Valley	22 097	(5 097)	-	17 000	21 000	4 000
	B	Langeberg	3 000	(1 000)	-	2 000	2 890	890
	B	Theewaters-kloof	6 737	(1 737)	-	5 000	7 120	2 120
	B	Overstand	8 000	(2 000)	-	6 000	18 519	12 519
	B	Cape Agulhas	2 500	-	-	2 500	2 625	125
	B	Swellendam	2 000	-	-	2 000	5 867	3 867
	B	Kannaland	-	-	-	-	2 699	2 699
	B	Hessequa	2 000	-	-	-	-	(2 000)
	B	Mossel Bay	12 000	(2 000)	-	10 000	10 026	26
	B	George	7 000	(1 000)	-	6 000	15 100	9 100
	B	Oudtshoorn	3 000	-	-	3 000	3 206	206
	B	Bitou	5 000	(1 000)	-	4 000	4 250	250
	B	Knysna	5 000	(5 000)	-	-	-	-

	B	Beaufort West	6 400	(1 186)	-	5 214	6 100	886
Rural Roads Asset Management Systems Grant	C	West Coast District Municipality	2 579	-	-	-	2 586	7
	C	Cape Winelands District Municipality	2 711	-	-	-	2 748	37
	C	Overberg District Municipality	2 670	-	-	-	2 708	38
	C	Garden Route District Municipality	2 445	-	-	-	2 478	33
	C	Central Karoo District Municipality	1 948	-	-	-	1 963	15
Regional Bulk Infrastructure Grant	B	Matzikama	-	-	-	-	7 661	7661
	B	Witzenberg	19 471	-	-	-	20 000	529
Water Services Infrastructure Grant	B	Matzikama	47 000	-	(17 000)	30 000	41 935	11 935
	B	Cederberg	30 000	-	(30 000)	-	4 600	4 600
	B	Bergrivier	-	-	6 596	6 596	6 596	-
	B	Drakenstein	-	-	4 095	4095	4 095	-
	B	Langeberg	-	-	21 093	21 093	20 000	(1 093)
	B	Theewaters-kloof	-	-	2 500	2 500	2 500	-
	B	Overstand	-	-	-	-	5 182	5 182
	B	Cape Agulhas	-	-	7 700	7 700	7 700	-
	B	Swellendam	-	-	10 707	10 707	10 707	-
	B	Kannaland	20 000	-	(10 000)	10 000	10 000	-
	B	George	-	-	-	-	3 082	3 082
	B	Oudtshoorn	40 000	-	(30 000)	10 000	-	(10 000)
	B	Knysna	-	-	5 835	5 835	5 107	(728)
Integrated Urban Development Grant	B	Laingsburg	-	-	7 496	7 496	7 496	-
	B	Drakenstein	58 649	-	(722)	57 927	59 256	1 329
	B	Stellenbosch	47 490	-	(584)	46 906	56 941	10 035
Informal Settlements Upgrading Partnership Grant: Municipalities	A	City of Cape Town	-	-	-	-	518 140	518 140
Urban Settlements Development Grant	A	City of Cape Town	1 481 604	(144 459)	-	1 337 145	972 431	(364 714)
Neighbourhood Development Partnership Grant (Capital)	A	City of Cape Town	66 536	(34 600)	(12 332)	19 604	50 000	30 396
	B	Langeberg	20 000	-	-	-	10 000	(10 000)
	B	Knysna	15 000	-	-	-	10 000	(5 000)
Public Transport Network Grant	A	City of Cape Town	1 989 974	(1 194 995)	(44 208)	750 771	2 288 640	1 537 869
	B	George	153 645	(24 388)	(7 188)	122 069	183 379	61 310

Allocations-in-kind to Municipalities:

Name of Grant	Category	Municipality	2020/21 Allocation	1 ST Adjustment 2020/21	2 nd Adjustment 2020/21	2020/21 Adjusted Allocation	2021/22 Allocation	Increase/ Decrease
			R '000					
Municipal Systems Improvement Grant	B	Drakenstein	300	-	-	-	-	(300)
	B	Stellenbosch	1 500	-	-	-	-	(1 500)
	C	Cape Winelands District Municipality	-	-	-	-	500	500
	B	Kannaland	1 900	(265)	-	1 636	-	(1 636)
	B	Hessequa	300	-	-	-	-	(300)
	B	Mossel Bay	300	-	-	-	-	(300)
	B	George	2 300	-	-	-	-	(2 300)
	B	Oudtshoorn	300	-	-	-	-	(300)
	B	Bitou	300	-	-	-	-	(300)
	B	Knysna	300	-	-	-	-	(300)
	C	Garden Route District Municipality	300	-	-	-	4 500	4 200
	B	Laingsburg	300	-	-	-	-	(300)
	B	Prince Albert	300	-	-	-	-	(300)
	B	Beaufort West	300	-	-	-	-	(300)
	C	Central Karoo District Municipality	300	-	-	-	2 000	(1 700)
Integrated National Electrification Programme (Eskom) Grant	A	City of Cape Town	76 547	(27 411)	-	49 136	85 038	35 902
	B	Cederberg	-	-	-	-	9 072	9 072
	B	Saldanha Bay	3 892	(3 892)	-	-	10 994	10 994
	B	Swartland	885	(2)	-	883	4 031	3 148
	B	Stellenbosch	2 548	(6)	-	2 542	2 843	301
	B	Breede Valley	15 203	(5 410)	-	9 793	4 593	(5 200)
	B	Theewaterskloof	8 073	780	-	8 853	10 189	1 336
	B	Kannaland	-	-	-	-	284	284
	B	Mossel Bay	-	-	-	-	245	245
	B	George	2 852	(707)	-	2 145	4 204	2 059
Neighbourhood Development Partnership Grant (Technical Assistance)	A	City of Cape Town	3 600	-	-	-	5 000	1 400
	B	Drakenstein	600	-	-	-	1 200	600
	B	Langeberg	800	-	-	-	-	(800)
	B	Knysna	5 000	-	-	-	1 000	(4 000)
Regional Bulk Infrastructure Grant	B	Cederberg	36 587	15 000	(15 326)	36 261	21 973	(14 288)

Municipal Infrastructure Grant and Integrated Urban Development Grant⁹:

Project Name	Category	Municipality	2021/22 Allocation
			R '000
Construction of sports field in Witzenberg	B	Witzenberg	1 500
Upgrading of pineview sport facility in Grabouw	B	Theewaterskloof	7 858

⁹ National Treasury, 2021b. p302.

Minority View

In terms of Standing Rule 90, the African National Congress and Al Jama-Ah expressed its minority view that it supports the Bill.