

# PARLIAMENT OF THE PROVINCE OF THE WESTERN CAPE

## ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

THURSDAY, 1 DECEMBER 2021

### COMMITTEE REPORT

(*Negotiating Mandate Stage*) Report of the Budget Committee on the Division of Revenue Amendment Bill [B 19–2021] (NCOP), dated 1 December 2021, as follows:

The Budget Committee, having considered the subject of Division of Revenue Amendment Bill [B 19– 2021] (NCOP) referred to it in accordance with Standing Rule 217, confers on the Western Cape’s delegation in the NCOP the authority to reserve their vote on the Bill for the following reasons:

The advertisements calling for submissions were placed in the following newspaper publications:

- *Die Burger*: 27 November 2021 (Afrikaans)
- *Argus*: 26 November 2021 (English)
- *Vukani*: 25 November 2021 (Xhosa)

The Committee was not given adequate time to conduct proper public participation on the Bill. The Committee raised the concern relating to the truncated timelines provided by the NCOP.

The Division of Revenue Amendment Bill<sup>1</sup> [B 19–2021] (“DORA Bill”) was tabled on 11 November 2021 by Minister Enoch Godongwana, which has seen an increased allocation of R21,148 billion to provinces and R43,977 billion to national departments.

A R2,019 billion increase has been allocated to the Western Cape which has increased the budget for the 2021/22 financial year to R56,4 billion<sup>2</sup> due primarily to the Presidential Youth Employment Initiative.

A breakdown of provincial equitable share changes for the Western Cape:

<sup>1</sup> Republic of South Africa. Division of Revenue Amendment Bill [B 19–2021]. 1–72.

[http://www.treasury.gov.za/legislation/bills/2021/\[B19-2021\]%20\(Division%20of%20Revenue%20Amendment%20Bill.pdf](http://www.treasury.gov.za/legislation/bills/2021/[B19-2021]%20(Division%20of%20Revenue%20Amendment%20Bill.pdf)

<sup>2</sup> Ibid, 4.

<i>Presidential Youth Employment Initiative</i>			<i>Public service wage bill</i>	<i>Total</i>
<i>Education school assistants</i>	<i>Health staff nurses</i>	<i>Social Development social workers</i>		
<i>R'000</i>				
566 630	36 404	-	1 416 170	2 019 204

The respective budget adjustments are indicated in the tables below.

<b>National department (Vote)</b>	<b>Name of allocation</b>	<b>Type of allocation</b>	<b>2021/22 main allocation</b>	<b>Adjustment</b>	<b>2021/22 adjusted budget</b>
<b>R'000</b>					
Health (Vote 18)	Health Facility Revitalisation Grant	Conditional allocation	724 865	(10 000)	714 865
	HIV, TB, Malaria and Community Outreach Grant	Conditional allocation	2 147 742	23 134	2 170 876
	Human Resources and Training Grant	Conditional allocation	795 929	5 447	801 376
Social Development (Vote 19)	Early Childhood Development Grant	Conditional allocation (subsidy component)	102 273	17 228	119 501

The total grant increases to the province (excluding the Presidential Youth Employment Initiative and the Public Service Wage Bill) amounts to R45,809 million and the total grant decreases to the province amounts to R10 million. Therefore, there is a net increase in grants of R35,809 million to the Western Cape.

#### **For Health (Vote 18):**

- There has been a R10 million reduction from the health facility revitalisation grant for the Klipfontein Hospital due to delays in the appointment of professional service providers for building design.<sup>3</sup>
- Provinces will be allowed to procure directly for the provision of mental health and oncology services through the HIV, TB, Malaria and Community Outreach Grant as they have demonstrated readiness to take over the full funding and management of these services. The Western Cape has been allocated R23,13 million for the current financial year<sup>4</sup> which consists of R3,134 million Mental Health Component and a R20 million Oncology Component.
- Due to the obligation to place medical interns, an additional R5,4 million (a part of the Statutory Human Resources Component) has been allocated to the province after the reprioritisation from various components of the national health insurance indirect grant to the human resources and training grant.<sup>5</sup>

<sup>3</sup> Republic of South Africa. Division of Revenue Amendment Bill [B19 – 2021]. 1–72. [http://www.treasury.gov.za/legislation/bills/2021/\[B19-2021\]%20\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2021/[B19-2021]%20(Division%20of%20Revenue%20Amendment%20Bill).pdf), 20.

<sup>4</sup> Ibid, 20.

<sup>5</sup> Ibid, 20.

- Cuts to the National Health Insurance Indirect Grant does not affect the Western Cape.<sup>6</sup>

Additional funding (R1,416 billion) has been made available to provinces to implement the wage agreement of the Public Service Coordinating Bargaining Council which is based on the total headcount in each province. Provinces will decide how they want to allocate a portion of this additional funding towards supplementing any expected COE shortfall.<sup>7</sup>

The reprioritisation of R113 million from the goods and services portion allocated to the Department of Basic Education for the school infrastructure backlogs grant due to savings as a result of COVID-19 regulations, does not affect the Western Cape. Funds will be used to address a shortfall in the workbooks project<sup>8</sup> in four provinces: the Eastern Cape, the Free State, KwaZulu-Natal and Limpopo.

A breakdown of the EPWP Integrated Grant allocation per provincial department:

Department	FTE target for 2021/22	Allocation (R'000)
Agriculture	46	2 227
Cultural Affairs and Sport	41	3 099
Education	29	2 185
Environmental Affairs and Developmental Planning	49	3 704
Health	2 269	2 041
Human Settlements	34	2 662
Transport and Public Works	3 263	13 855
<b>Total</b>	<b>5 731</b>	<b>29 773</b>

Infrastructure grant allocations for municipalities:

Name of grant	Municipality	2021/22 main allocation	Adjustment	2021/22 adjusted allocation
		<b>R'000</b>		
<b>Regional Bulk Infrastructure Grant</b>	George	-	81 345	81 345
<b>Neighbourhood Development Partnership Grant (Capital)</b>	City of Cape Town	50 000	121 399	171 399
<b>Public Transport Network Grant</b>	City of Cape Town	2 288 640	(1 340 000)	948 640

R81 million has been added to the direct regional bulk infrastructure grant for the George Local Municipality for the implementation of the potable water security and remedial works project.<sup>9</sup>

R1,3 billion is reduced from the public transport network grant for the City of Cape Town to align to its revised implementation plan for myCiti phase 2A.<sup>10</sup>

<sup>6</sup> Ibid, 71.

<sup>7</sup> Republic of South Africa. Division of Revenue Amendment Bill [B19 – 2021]. 1–72. [http://www.treasury.gov.za/legislation/bills/2021/\[B19-2021%20\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2021/[B19-2021%20(Division%20of%20Revenue%20Amendment%20Bill).pdf), 20.

<sup>8</sup> Ibid, 20.

<sup>9</sup> Republic of South Africa. Division of Revenue Amendment Bill [B19 – 2021]. 1–72. [http://www.treasury.gov.za/legislation/bills/2021/\[B19-2021%20\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2021/[B19-2021%20(Division%20of%20Revenue%20Amendment%20Bill).pdf), 19.

<sup>10</sup> Ibid, 20.

Within the Neighbourhood Development Partnership Grant, the City of Cape Town received an additional R121,3 million due to the shifting of a direct component to the indirect component of the grant to fund project preparation, planning and implementation due to implementation challenges.<sup>11</sup>

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In summary, the reasons for abstaining from supporting the Bill:

1. The Western Cape Province fundamentally disagrees with the current provincial equitable share formula. The formula is currently made up of six components: education, health, basic, institutional, poverty and economic activity. However, consideration should be given to including community safety, and particularly gender-based violence, as a component of the provincial equitable share formula to capacitate efforts to combat violence and criminal activity in the province.
2. The update to the health component of the provincial equitable share formula is likely to see a decrease in the allocation to the Western Cape while service delivery demands remain high and health platforms across all provinces are strained.
3. Plans to shift the colleges of agriculture to the National Government and have these institutions funded through the *Comprehensive Agricultural Support Programme Grant* would negatively impact on the workings of Elsenburg, as well as impact on the work of the provincial Department of Agriculture.
4. The removal of the incentive component of the *Provincial Roads Maintenance Grant* from the grant baseline for the 2022/23 financial year due to delays in developing objective allocation criteria will see funding cut to the Western Cape for road maintenance.
5. While the R1,416 billion increase has been allocated for the implementation of the wage agreement of the Public Service Coordinating Bargaining Council is welcomed, continued uncertainty with regard to the public wage bill remains a concern, which could significantly impact the provincial budget. Should the Constitutional Court overturn the decision by the Labour Appeals Court, which allowed the national government not to implement the civil-servant increase that was a part of the 2018 agreement, the back pay owed to public servants would have a significant impact on the fiscal framework.
6. In the 2021/22 and the 2022/23 financial year, the National Treasury has allocated R20,5 billion for each financial year for the implementation of the public wage agreement including a one-off non-pensionable cash gratuity for public servants. However, uncertainty over the funding for the public wage bill in the long term remains a concern as no additional funding has been allocated in the outer financial years should there be an increase in the public wage bill.
7. The sustainability of the Presidential Youth Employment Initiative Grant as it creates a short-term intervention compared to long-term sustainable effects of unemployment.
8. The National Treasury must consider disaggregating its data in the budgetary process and the Presidential Youth Employment Initiative Grant for gender and youth aspects.

### **Minority view**

In accordance with Standing Rule 90, the African National Congress and Al Jama-ah expressed their minority view to support the Bill.

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<sup>11</sup> Ibid, 21.