

# 2014 Division of Revenue Amendment Bill and Provincial and Local Government Fiscal Frameworks for 2015 MTEF

*Standing and Select Committees on Appropriations  
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**Malijeng Ngqaleni, Deputy Director-General: Intergovernmental Relations; and Wendy Fanoë, Chief  
Director: Intergovernmental Policy and Planning, National Treasury | 24 October 2014**



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Contents of 2014 Division of Revenue Amendment Bill

(pages 1 and 2 of Bill)

- Section 12(4) of Money Bills Amendment Procedure and Related Matters Act requires that the Minister of Finance table a Division of Revenue Amendment Bill (DoRAB) with the revised fiscal framework if adjustments budget effects changes to the Division of Revenue Act (DoRA)
- The DoRAB contains three clauses:
  - Clauses 1 and 2 provide for changes to the schedules of the DoRA to adjust the allocations to provinces and municipalities. These changes reflect :
    - additional conditional allocations to provinces and municipalities
    - roll-overs of conditional allocations to provinces and municipalities not transferred by national departments during 2012/13
    - rescheduling of allocations between direct and indirect allocations
    - changes to reflect shift of functions within national government
  - Clause 3 provides for the short title and commencement of the Bill

# Example of how the schedules are amended

The schedules to the Act list the allocations for the current year in “column A” of the schedules.

Division of Revenue Act: SCHEDULE			Column A	Column B	
Vote	Name of allocation	Purpose	2014/15 Allocation	Forward Estimates	
			R'000	2015/16 R'000	2016/17 R'000
Department Name (Vote number)	Grant Name	Gives the purpose of the grant that the funds are appropriated for.	100 000	110 000	120 000

The amendment Bill substitutes this with a new “column A” that shows the original allocation, the adjustment and the revised allocation

Amendment Bill: SCHEDULE			Column A		
Vote	Name of allocation	Purpose	2014/15 Main Allocation	Adjustment	2014/15 Adjusted Allocation
			R'000	R'000	R'000
Department Name (Vote number)	Grant Name	Gives the purpose of the grant that the funds are appropriated for.	100 000	60	100 060

In 2014, the first three columns of some schedules are amended to account for changes in department names and functions

# Shift of function within national government

- Following the national and provincial elections in 2014, several changes to the functions and structures of national departments were announced
- These included the shift of the sanitation function from the Department of Human Settlements to the Department of Water and Sanitation
- This shift will be effected in the 2014 Adjustments Budget (including through DoRAB)
- The following conditional grants will move to Department of Water and Sanitation. Requires changes to conditional grant frameworks and department names in first 3 columns of the schedules (schedules 5 and 6):
  - *Rural Households Infrastructure Grant* (direct and indirect) which funds on-site sanitation for rural areas where reticulated services are not feasible (pages 14 (direct grant allocation), 16 (indirect grant allocations), 24 (explanatory memo), and 48 to 49 (conditional grant framework))
  - *Human Settlements Development Grant* (indirect portion) which funds the eradication of bucket sanitation (pages 15 (indirect grant allocation), 24 (explanatory memo) and 42 to 43 (conditional grant framework))

# Changes to provincial allocations for 2014/15

## *Provincial Equitable Share*

- No in-year additions to the equitable share. All non-discretionary obligations must be adequately provided for within provincial budgets

## *Rollover of Conditional Grant*

- R9.7m for KZN for HIV and Aids (Life Skills Education) Grant (pages 9 and 22)

## *Conversions of Indirect Provincial Conditional Grants to Direct Provincial Conditional Grants*

- R397.7m from (indirect) School Infrastructure Backlogs Grant to (direct) Education Infrastructure Grant for WC (pages 15 and 22 to 23)
- A reduction of R375m to (indirect National Health Grant) for:
  - R262m from (indirect) National Health Grant to (direct) Health Facility Revitalisation Grant for FS (R18m); KZN (R200m); NW (R14m); and NC (R30m) (pages 15 and 22 to 23)
  - A saving of R113 million also declared on indirect grant (pages 15 and 22 to 23).

# Changes to local government allocations for 2014/15

## *Disaster recovery*

- R157 million for disaster recovery to be transferred to municipalities in 5 provinces through the Municipal Disaster Recovery Grant (pages 14; 23 to 24; and 51 to 52)

## *Rollovers*

- R1.5 million for Tswaing Local Municipality (NW) on the Municipal Water Infrastructure Grant (pages 14; 23 and 54)
- R80.2 million for the Municipal Infrastructure Grant (pages 14; 23; and 53)
- R18.6 million for the Regional Bulk Infrastructure Grant (indirect grant) (pages 16; 23 and 57)

## *Unforeseen and unavoidable (Municipal Water Infrastructure Grant)*

- R15 million for emergency boreholes in Giyani (pages 16; 23 and xx to xx)
- R8.3 million for emergency repairs to the Waste Water Treatment Works in Bloemhof (Dr Ruth Segomotsi Mompati DM) (pages 16; 23 and 56)

# Changes to Gazetted frameworks and allocations

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- Frameworks setting conditions for each grant, as well as detailed allocations per municipality and per grant component for provinces are gazetted by the Minister of Finance in terms of Section 16(1) of 2014 Division of Revenue Act
- Section 16(2) allows for changes to frameworks to correct errors and omissions only after consulting parliament.
- At the same time the Division of Revenue Amendment Bill is being processed, National Treasury asks Parliament to consider and approve corrections to frameworks
- Proposed changes to frameworks are described in Part 3 of Explanatory Memorandum (from page 24 of the Bill) and the changes to the gazetted frameworks and allocations are included from page 30 of the Bill



# Changes to provincial conditional grant frameworks (1 of 2)

## **Education Infrastructure Grant** (pages 30, 31 and 32)

- Correction to align due dates for infrastructure plans with those in the DoRA
- Correction to maximum amount that can be used for technical capacity from R16m to R26m (includes allowance for officials in district offices)

## **Health Facility Revitalisation Grant** (pages 33 and 34)

- Correction to align due dates for infrastructure plans with those in the DoRA
- Correction to maximum amount that can be used for technical capacity from R16m to R29m (includes allowance for officials in district offices)

## **National Health Grant: Health Facility Revitalisation Component** (pages 35 and 36)

- Correction to align due dates for infrastructure plans with those in the DoRA
- Correction to details required in plans that must be submitted
- Correction that report does not have to be submitted to National Treasury as plans and other documentation will already have been submitted

# Changes to provincial conditional grant frameworks (2 of 2)

## **National Health Grant: National Health Insurance Component** (pages 37 and 38)

- Correction to refer to all “health practitioners” not only “medical practitioners”
- “Contracting” corrected to “purchasing services” so that it doesn’t require professionals to provide services on provincial premises
- Omission of implementing alternative models for supplying chronic medicines is corrected
- Due date for business plans corrected
- MTEF allocations were incorrectly stated, these are corrected

## **Provincial Roads Maintenance Grant** (pages 39, 40 and 41)

- Correction to process for publishing provincial project plans. These must be tabled in provincial legislatures, not “gazetted” in provincial legislatures.

## **Human Settlements Development Grant** (indirect portion) (pages 42 and 43)

- Indirect grant created in 2014/15 to fund bucket eradication projects
- Grant framework corrected to reflect that the Department of Water and Sanitation will administer this indirect grant

# Changes to local government conditional grant frameworks

## **Municipal Human Settlements Capacity Grant** (pages 46 and 47)

- Correct the omission of catalytic projects highlighted in the MTSF
- Correct the omission of requirements for plans and reports to also be submitted to provincial departments
- Correct references to assignment as this will no longer take place in 2014/15 as the process is being reviewed following a decision by Human Settlements MinMEC
- Timelines for submission of plans corrected

## **Rural Households Infrastructure Grant** (pages 48 and 49)

- Department name changed to Department of Water and Sanitation
- Condition that required recipients of the indirect grant to submit business plans is corrected to apply to recipients of the direct grant only

# Changes to gazetted allocations

- Details per municipality of the changes to municipal grant allocations and details per province of the changes to indirect grant allocations will also be gazetted
- These detailed allocations are contained in pages 50-65 of the Bill
- They also include a change to the EPWP allocations per provincial department that change the names of the recipient departments in two provinces:
  - In KwaZulu-Natal to reflect the splitting of a department into two (both with EPWP projects) after the 2014 elections
  - In Limpopo to reflect the funds against the correct department implementing EPWP projects

# **Division of Revenue for the 2015 MTEF (pages 37 to 40 and pages 47 to 50 of 2014 MTBPS)**

# Budget framework for the 2015 MTEF

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
R billion	Outcome			Revised	Medium-term estimates		
<b>Division of available funds</b>							
<b>National departments</b>	<b>389.2</b>	<b>419.5</b>	<b>452.6</b>	<b>494.7</b>	<b>523.1</b>	<b>553.2</b>	<b>585.0</b>
<b>Provinces</b>	<b>356.0</b>	<b>381.4</b>	<b>411.1</b>	<b>440.2</b>	<b>468.5</b>	<b>496.8</b>	<b>527.0</b>
Equitable share	289.9	311.0	336.8	360.2	383.0	405.6	429.3
Conditional grants	66.1	70.4	74.3	80.0	85.4	91.2	97.7
<b>Local government</b>	<b>68.3</b>	<b>76.4</b>	<b>82.8</b>	<b>91.1</b>	<b>99.2</b>	<b>103.9</b>	<b>110.0</b>
Equitable share	33.2	37.1	39.0	44.5	50.2	52.9	55.5
General fuel levy sharing with metropolitan municipalities	8.6	9.0	9.6	10.2	10.7	11.2	11.8
Conditional grants	26.5	30.3	34.3	36.4	38.4	39.8	42.7
<b>Total</b>	<b>813.5</b>	<b>877.4</b>	<b>946.6</b>	<b>1 026.0</b>	<b>1 090.8</b>	<b>1 153.9</b>	<b>1 222.0</b>
<i>Percentage shares</i>							
National departments	47.8%	47.8%	47.8%	48.2%	48.0%	47.9%	47.9%
Provinces	43.8%	43.5%	43.4%	42.9%	42.9%	43.1%	43.1%
Local government	8.4%	8.7%	8.8%	8.9%	9.1%	9.0%	9.0%

# Division of revenue for the 2015 MTEF

## Main changes to allocations

- Baseline reductions to both spheres
- Reprioritised and ring-fenced funds for disaster recovery

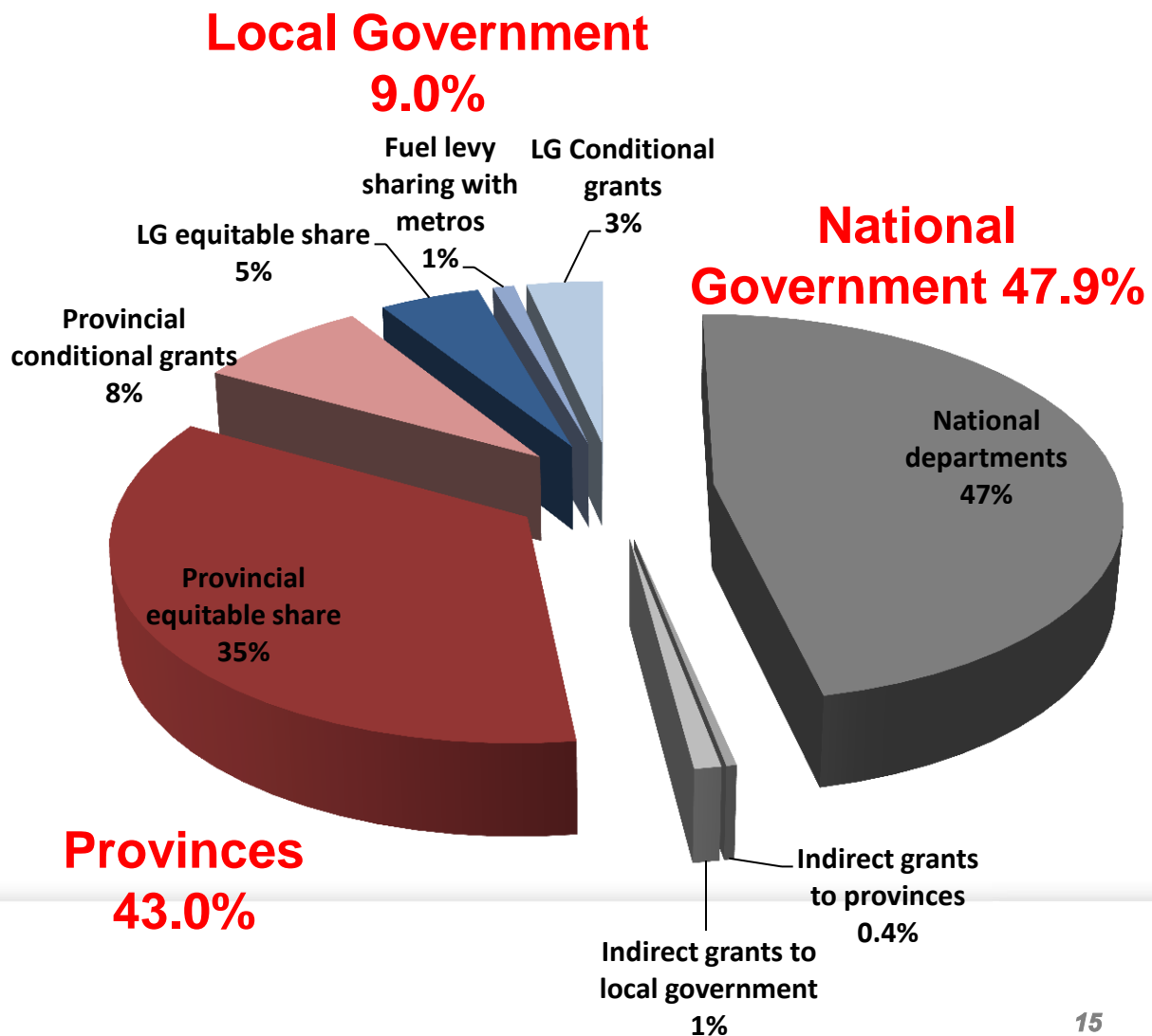
### Provinces:

- FET colleges, adult education and port health functions shifted to national, with funds
- Provinces to ensure that all non-discretionary obligations (personnel, goods and services) are adequately provided for

### Local government:

- LG equitable share not reduced (free basic services cost pressures)
- Additions to water infrastructure grants
- Additions for cost of municipal

## Division of revenue over the 2015 MTEF



# Changes to the Division of Revenue

R billion	2015/16	2016/17
	<b>Medium-term estimates</b>	
<b>Changes to baseline</b>		
<b>National allocations</b>	<b>-4.3</b>	<b>-5.2</b>
<i>of which:</i>		
<i>Indirect grants to provinces</i> <sup>1</sup>	-0.3	-0.4
<i>Indirect grants to local</i>	0.7	0.7
<b>Provincial allocations</b>	<b>-4.0</b>	<b>-6.0</b>
Equitable share	-2.6	-4.0
Conditional grants	-1.4	-2.1
<b>Local government allocations</b>	<b>-0.8</b>	<b>-1.3</b>
<b>Total</b>	<b>-9.2</b>	<b>-12.5</b>

1. Amounts may be shifted between direct and indirect grants to provinces and local government before the 2015 Budget is tabled.

- Reductions across all 3 spheres reflect the lower expenditure ceiling announced in the MTBPS



# How reductions to baseline will impact provincial and municipal allocations

- The reductions to baseline should be offset by improvements in efficiency in provinces and municipalities and should therefore not impact service delivery
- Reductions are small in percentage terms (details in 2015 Budget)
- Reductions to baseline allocations for the provincial equitable share have been minimised, and cushioning for the 4 provinces with declining shares after the 2011 Census updates have been extended for an additional year (to 2016/17)
- Reductions applied proportionately across provincial conditional grants, but no reductions will be made on the *Comprehensive HIV and AIDS Grant* or the *National School Nutrition Programme Grant*
- No reduction is made on the local government equitable share
- Local government conditional grant reductions are higher on underspending grants and grants that do not fund infrastructure

# Changes to provincial conditional grants in the MTEF

- *Maths Science and Technology Grant* will be created from merger of *Dinaledi Schools Grant* and *Technical Secondary Schools Grant*
- Provinces will begin to receive performance-based allocations for health and education infrastructure, incentivising improved performance
- Funds will be reprioritised out of the *Provincial Roads Maintenance Grant* to SANRAL for upgrading of the R573 (Moloto Road) which is expected to be transferred to SANRAL
- Funds also reprioritised out of the *Human Settlements Development Grant* to the Housing Development Agency, which will take on an enhanced role in planning and coordinating projects (including some work previously done by provinces)
- *Provincial Disaster Grant* and *Municipal Disaster Grant* which fund immediate disaster relief will be reduced as they have never spent more than 53% of their combined allocation. Flexibility will be added to allow for transfers between the grants
- Funds for disaster recovery will be ringfenced in provincial grants

# Changes to local government conditional grants in the MTEF

- New grant for 3 years to fund administrative costs related to municipal mergers due to take effect in 2016 in Gauteng and KwaZulu-Natal
- Additions to the Municipal *Disaster Recovery Grant* for the repair and replacement of damaged municipal infrastructure
- Review of infrastructure conditional grants (included SALGA, FFC, DCOG and DPME) will result in changes to:
  - rationalise the number of grants to each municipality, while increasing differentiation in the system (allowing better response to urban and rural issues)
  - Improve sustainability by focusing on life-cycle management of infrastructure
  - improve grant management, monitoring and support,
- Review will continue in 2015, but the following changes will begin to be implemented in 2015/16:
  - Consolidation of water and sanitation grants
  - Consolidation of public transport grants to cities

# Thank you