

REPUBLIC OF SOUTH AFRICA

DIVISION OF REVENUE BILL

(As introduced in the National Assembly as a section 76 Bill)
(The English text is the official text of the Bill)

(MINISTER OF FINANCE)

[B4—2004]

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BILL

To provide for the equitable division of revenue anticipated to be raised nationally among the national, provincial and local spheres of government for the 2004/05 financial year and the reporting requirements for allocations pursuant to such division; to permit the withholding and the delaying of payments in certain circumstances; to provide for liability for costs incurred in litigation in violation of the principles of co-operative governance and intergovernmental relations; and to provide for matters connected therewith.

PREAMBLE

WHEREAS section 214(1) of the Constitution requires an Act of Parliament to provide for—

- (a) the equitable division of revenue raised nationally among the national, provincial and local spheres of government;
- (b) the determination of each province's equitable share of the provincial share of that revenue; and
- (c) any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made;

BE IT THEREFORE ENACTED by the Parliament of the Republic of South Africa, as follows:—

CHAPTER 1

INTERPRETATION AND OBJECTS OF ACT

Interpretation

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1. (1) In this Act, unless the context indicates otherwise, a word or expression to which a meaning has been assigned in the Public Finance Management Act has the meaning assigned to it in that Act, and—

- I. “**budget year**” means the financial year commencing on 1 April 2004 and ending on 31 March 2005 for which an annual budget is to be approved; 10
- II. “**head official**”, in relation to a provincial treasury, means the head of the provincial department responsible for financial matters in the province;
- III. “**Financial and Fiscal Commission Act**” means the Financial and Fiscal Commission Act, 1997 (Act No. 99 of 1997)
- IV. “**Intergovernmental Fiscal Relations Act**” means the Intergovernmental Fiscal Relations Act, 1997 (Act No. 97 of 1997); 15
- V. “**municipal accounting officer**” means the official of a municipality referred to in section 60 of the Municipal Finance Management Act;
- VI. “**municipal financial year**” means the financial year of a municipality commencing on 1 July and ending on 30 June; 20
- VII. “**Municipal Finance Management Act**” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

- VIII. **“municipality”** means the same as in section 1 of the Municipal Finance Management Act;
- IX. **“Municipal Structures Act”** means the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);
- X. **“Municipal Systems Act”** means the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); 5
- XI. **“next financial year”** means the financial year commencing on 1 April 2005 and ending on 31 March 2006;
- XII. **“payment schedule”** means a schedule which sets out— 10
 (a) the amount of each instalment of an equitable share or any other allocation to be transferred to a province or municipality for the financial year;
 (b) the date on which each such instalment must be paid; and
 (c) to whom, and to which primary bank account, each such instalment must be paid; 15
- XIII. **“prescribe”** means prescribe by regulation in terms of section 33;
- XIV. **“primary bank account”**— 20
 (a) in relation to a province, means a bank account of the provincial Revenue Fund, which the head official of the provincial treasury has certified to the National Treasury as the bank account into which allocations in terms of this Act must be deposited;
 (b) in relation to a municipality which has only one bank account, means that account; or
 (c) in relation to a municipality which has more than one bank account, means one of its bank accounts which it has designated as its primary bank account; 25
- XV. **“Public Finance Management Act”** means the Public Finance Management Act, 1999 (Act No. 1 of 1999);
- XVI. **“quarter”** means— 30
 (a) 1 April to 30 June;
 (b) 1 July to 30 September;
 (c) 1 October to 31 December; or
 (d) 1 January to 31 March;
- XVII. **“receiving officer”**— 35
 (a) in relation to Schedules 4 and 5 allocations transferred to a province, excluding the Provincial Infrastructure Grant, means the accounting officer of the provincial department which is responsible for spending or managing that allocation; or
 (b) in relation to Schedules 6 and 6A allocations transferred to a municipality, means the municipal accounting officer of that municipality, except for that portion of the Municipal Infrastructure Grant funds in terms of section 11(6), committed before 30 September 2003 and spent by the national accounting officer directly on behalf of the municipality; 40
- XVIII. **“transferring national officer”** means the accounting officer of a national department which transfers to a province or municipality Schedule 4, 5, 6 or 6A allocations, but excludes the accounting officer of the National Treasury in respect of an allocation listed in those Schedules and which is on the vote of the National Treasury; 45
- XIX. **“transferring provincial officer”** means the accounting officer of a provincial department which is responsible for managing Schedule 5, 6 or 6A allocations for the purpose of transferring it to a municipality in the relevant province. 50
- (2) In the event of any inconsistency between a provision of this Act and a provision of the Municipal Finance Management Act that has taken effect, the provision of the Municipal Finance Management Act is, to the extent of the inconsistency, suspended until 1 April 2005. 55
- (3) Section 35 of the Public Finance Management Act, section 3 of the Financial and Fiscal Commission Act and section 9 of the Municipal Systems Act do not apply in respect of any powers and functions assigned in terms of this Act to a province or municipality. 60

Objects of Act

2. The objects of this Act are—
- (a) to provide for the equitable division of revenue anticipated to be raised nationally among the three spheres of government;
 - (b) to promote co-operative governance and the principles of intergovernmental relations on budgetary matters; 5
 - (c) to promote better co-ordination between policy, planning, budget preparation and execution processes;
 - (d) to promote predictability and certainty in respect of all allocations to provincial governments and municipalities in order that such governments may plan their budgets over a multi-year period; 10
 - (e) to promote transparency and equity in all allocations, including in respect of the criteria for their division;
 - (f) to promote accountability for the use of public resources by ensuring that all transfers are reflected on the budgets of benefiting provincial governments and municipalities; and 15
 - (g) to ensure that legal proceedings between organs of state in the three spheres of government are avoided.

CHAPTER 2

EQUITABLE SHARE ALLOCATIONS 20

Equitable division of revenue anticipated to be raised nationally among spheres of government

3. (1) Revenue anticipated to be raised nationally in respect of the budget year must be divided among the national, provincial and local spheres of government for their equitable shares as set out in Column A of Schedule 1. 25

(2) An envisaged division of revenue anticipated to be raised in respect of the next financial year and the 2006/07 financial year, and which is subject to the provisions of the annual Division of Revenue Act in respect of those financial years, is set out in Column B of Schedule 1.

(3) Despite subsection (2), the Minister may, in respect of the next financial year and until the commencement of the annual Division of Revenue Act for that financial year, determine that an amount not exceeding 45 per cent of the envisaged division for the next financial year as set out in Column B of Schedule 1, be transferred as a direct charge against the National Revenue Fund to each province and to a municipality. 30

Equitable division of provincial share among provinces 35

4. (1) Each province's equitable share of the provincial share of revenue anticipated to be raised nationally in respect of the budget year is set out in Column A of Schedule 2.

(2) An envisaged division for each province of revenue anticipated to be raised nationally in respect of the next financial year and the 2006/07 financial year, and which is subject to the provisions of the annual Division of Revenue Act for those financial years, is set out in Column B of Schedule 2. 40

(3) Subject to section 28(2), each province's equitable share contemplated in subsection (1) must be transferred to the province in weekly instalments in accordance with a payment schedule determined by the National Treasury, after consultation with the head official of the relevant provincial treasury. The payment schedule must take reasonable account of the monthly spending commitments of provinces, the revenue at the disposal of provinces, and minimisation of risk and debt servicing costs. 45

(4) Despite subsection (3), the Minister may, on such conditions as the Minister may determine, advance funds to a province in respect of its equitable share contemplated in subsection (1), which have not yet fallen due for transfer in accordance with the payment schedule referred to in subsection (3) in respect of that province. 50

(5) The advances contemplated in subsection (4) must be set-off against transfers to the province which would otherwise become due in terms of the applicable payment schedule.

Equitable division of local government share among municipalities

5. (1) Each municipality's share of local government's equitable share of revenue anticipated to be raised nationally in respect of the budget year is set out in Column A of Schedule 3. 5

(2) An envisaged division between municipalities of revenue anticipated to be raised nationally in respect of the next financial and the 2006/07 financial year, and which is subject to the provisions of the annual Division of Revenue Act for those financial years, is set out in Column B of Schedule 3. 10

(3) Subject to subsection (4), each municipality's equitable share contemplated in subsection (1) must be transferred to the primary bank account of the municipality in quarterly instalments before the end of May, August, November and February in the budget year, in accordance with a payment schedule determined by the National Treasury. 15

(4) If a provincial executive has intervened in a municipality in terms of section 139 of the Constitution, the Minister responsible for local government may, with the concurrence of the Minister, and on such conditions as the Minister may determine, advance funds to a municipality in respect of its equitable share contemplated in subsection (1) which have not fallen due for transfer in accordance with the applicable payment schedule referred to in subsection (3) in respect of that municipality. 20

(5) Any advances in terms of subsection (4) must be set-off against transfers to the municipality which would otherwise become due in terms of the applicable payment schedule. 25

(6) Despite subsection (3), the National Treasury may direct the national accounting officer for local government to delay or withhold the transfer of an instalment on the grounds of a municipality's serious or persistent material breach of uniform treasury norms and standards.

(7) Such uniform treasury norms and standards referred to in subsection (6) may include a requirement that a municipality must— 30

- (a) submit to the Auditor-General, not later than 30 April 2004, any outstanding financial statements in respect of municipal financial years preceding the 2003/04 municipal financial year;
- (b) submit to the National Treasury, by not later than 30 June 2004, its budget for the 2003/04 municipal financial year and such other budgetary information as may be required by the National Treasury, including, but not limited to, information on the nature and extent of basic services to be provided for water, sanitation, electricity, and municipal infrastructure, including free basic services, to be provided by that municipality; 40
- (c) submit to the Auditor-General and the National Treasury, not later than 30 September 2004, financial statements in respect of the 2003/04 municipal financial year, in a format determined by the National Treasury;
- (d) submit to the National Treasury, by not later than 20 days after the end of each quarter starting 1 July 2004, information on the implementation of its budget, including information up to the end of that quarter on actual— 45
 - (i) total revenue collected, borrowings and all allocations received in terms of this Act; and
 - (ii) total spending, including on water, sanitation, electricity, free basic services and municipal infrastructure; 50
- (e) in the case of local and district municipalities, co-operate on financial, budget and fiscal matters with other municipalities within the district in which it is located in order to eliminate duplication in the provision of services, reduce wastage, and ensure effective and efficient spending for purposes of sustainable delivery of municipal services in that municipal district; and 55
- (f) make timely payment of all statutory commitments including all taxes, levies, audit fees, medical aid and pension fund commitments.

(8) Payments of the quarterly equitable share instalments referred to in subsection 4, may be made subject to the accounting officer of a municipality submitting any information required in terms of subsection (6) or (7) to the National Treasury, and certifying how the municipality is complying with subsection (6) or (7), not later than 21 days before the date of transfer of such instalment. 5

(9) Despite subsections (6) and (7), the National Treasury may direct that funds be transferred to a municipality, where it—

- (a) provides a written explanation which the National Treasury determines as reasonable; or
- (b) is in danger of failing to deliver basic services as a result of such delays or withholding. 10

Shortfalls and excess revenue

6. (1) If actual revenue raised nationally in respect of the budget year falls short of the anticipated revenue set out in Schedule 1, the national government bears the shortfall. 15

(2) If actual revenue raised nationally in respect of the budget year is in excess of the anticipated revenue set out in Schedule 1, the excess accrues to the national government and forms part of its equitable share.

(3) Despite subsection (2), the national government may, by means of an adjustments budget or any other appropriation legislation, and additional to the allocations in sections 4 and 5, and the allocations contemplated in Chapter 3, make in the budget year further allocations to provinces and municipalities from its equitable share of nationally raised revenue or contingency reserve. 20

CHAPTER 3

OTHER ALLOCATIONS TO PROVINCES AND MUNICIPALITIES

Other allocations 25

7. (1) Other allocations to provinces in respect of the budget year from the national government's share of revenue anticipated to be raised nationally are set out in Column A of the following Schedules:

- (a) Schedule 4 contains allocations to provinces for general and nationally assigned functions; 30
- (b) Schedule 5 contains specific-purpose allocations to provinces.

(2) An envisaged division of allocations to provinces from the national government's share of revenue anticipated to be raised nationally, for the next financial year and the 2006/07 financial year, which is subject to the annual Division of Revenue Act for those years is set out in Column B of the Schedules referred to in subsection (1). 35

(3) Despite subsection (2), the Minister may, in respect of the next financial year and until the commencement of the Division of Revenue Act for that financial year, determine that an amount not exceeding 45 per cent of the envisaged division of the allocation for the next financial year, as set out in Column B of Schedules referred to in subsection (1), be transferred to a province as a direct charge against the National Revenue Fund. 40

(4) Other allocations to local government in respect of the budget year from the national government's share of revenue anticipated to be raised nationally are set out in Column A of the following Schedules:

- (a) Schedules 6 and 6A contain specific-purpose allocations to local government; 45
- and
- (b) Schedule 7 contains allocations-in-kind to municipalities for designated programmes.

(5) An envisaged division of allocations to local government from the national government's share of revenue anticipated to be raised nationally for the next financial year and the 2006/07 financial year, which is subject to the annual Division of Revenue Act for those years, is set out in Column B of the Schedules referred to in subsection (4). 50

(6) The Minister must, not later than 1 April 2004, publish in the *Gazette* required in terms of section 24(1), the share of each municipality in respect of the local government allocations referred to in subsections (4) and (5).

(7) Despite subsection (5), the Minister may, in respect of the next financial year and until the commencement of the Division of Revenue Act for that financial year, determine that an amount not exceeding 45 per cent of the envisaged division of the allocation for the next financial year, as set out in Column B of Schedules referred to in subsection (4), be transferred to a municipality as a direct charge against the National Revenue Fund. 5

Transfers to entities 10

8. (1) Where a national or provincial organ of state has to provide funds to a public entity for the provision of a municipal service or function after 30 June 2004, it must do so by transferring such funds to the relevant municipality directly, and in accordance with subsection (2), unless the National Treasury has directed otherwise.

(2) A public entity may not receive funds directly or indirectly from a national or provincial organ of state for the provision of a municipal service in a municipality after 30 June 2004, unless such public entity has by 30 June 2004 notified the National Treasury in writing that it acts as an external mechanism for a municipality in terms of Chapter 8 of the Municipal Systems Act. Where a public entity and relevant municipality fail to come to an agreement by the above date, the public entity and municipality must inform the National Treasury when such an agreement will be completed. 15

(3) The National Treasury may withhold the payment of any grant to a public entity if the public entity fails to comply with subsection (2).

(4) A public entity that receives a grant, directly or indirectly, from a national or provincial organ of state for the provision of a municipal service in a municipality must report to that municipality and to the National Treasury, within seven working days after the end of each month, the amount spent on such municipal service and for which it has received funds, or is entitled to reimbursement from the funds transferred to the municipality. 25

(5) If a municipality fails to reimburse a public entity in terms of this section, the National Treasury may direct the withholding of funds due to the municipality, and reimburse the public entity directly. 30

Transfers not listed in Schedules

9. An allocation not listed in the Schedules referred to in section 7 may only be made in terms of section 6 (3) or in terms of an adjustments appropriation, and must be published in the *Gazette* by the Minister before the transfer of any funds to a province or municipality, and must comply with such monitoring and reporting requirements as may be determined by the National Treasury. 35

Provincial infrastructure grant 40

10. A provincial treasury must, in respect of an allocation for provincial infrastructure listed in Schedule 4, submit to the National Treasury, not later than 1 April 2004, and in the format determined by the National Treasury, a plan on proposed spending for the budget year, the next financial year and the 2006/07 financial year.

Municipal Infrastructure Grant 45

11. (1) Allocations for addressing backlogs in basic municipal infrastructure development and the carrying out of municipal services are set out in Schedule 6A.

(2) Any allocation contemplated in subsection (1) which is intended, entirely or in part, for the construction, maintenance or rehabilitation of municipal infrastructure, must only be in terms of a policy framework, and allocations published in terms of section 24(1). 50

(3) A municipality must in respect of an allocation for the Municipal Infrastructure Grant listed in Schedule 6A, submit to the National Treasury with its budget in terms of section 5(7), by not later than 30 June 2004 or such other date as may be determined by the National Treasury, a three-year capital plan on proposed spending for the 2004/05, 2005/06 and 2006/07 municipal financial years. The National Treasury may direct additional conditions on the transfer of funds to a municipality failing to comply with this provision, including transferring via a district municipality or another organ of state. 5

(4) The three-year capital plan of a municipality must include the following information, in a format determined by the National Treasury:

- (i) how the municipality has prioritised the payment of commitments on the previous consolidated municipal infrastructure and water capital grants as at 30 September 2003, to the extent that it will receive allocations directly from the Municipal Infrastructure Grant incur such payments; 10
- (ii) projections on future operational costs for new or upgraded infrastructure;
- (iii) operational budgets for maintenance and operating costs on existing infrastructure; and 15
- (iv) how a municipality's operational budget takes account of the future commitments.

(5) A district municipality receiving the Municipal Infrastructure Grant must, in its budget and three-year capital plan, indicate all transfers and allocations-in-kind to local municipalities. Transfers between district and local municipalities must be approved in both their budgets, and any allocations in-kind must comply with section 12. 20

(6) Each recipient municipality must, not later than 20 working days after the end of each quarter after 1 July 2004, submit a report to the National Treasury, which provides details on the implementation of the capital budget, and any other details requested by the National Treasury as set out in the frameworks for municipal infrastructure grants. 25

(7) The accounting officer for local government may, with the approval of the National Treasury, and after consultation with the responsible sector departments, make direct payments to creditors against the Municipal Infrastructure Grant allocation to a municipality for commitments incurred on previous consolidated municipal infrastructure and water capital grants as at 30 September 2003, if: 30

- (i) the receiving municipality is unable, unwilling or fails to pay for such commitments; or
- (ii) it is to fulfil contractual obligations entered into before 30 September 2003.

Transfer of assets to municipalities 35

12. (1) A transferring national officer or a transferring provincial officer may not make any transfer to a municipality, of assets or any other financial resource, including an allocation-in-kind or the future transfer of an asset, intended, entirely or in part, for the construction, installation, maintenance or rehabilitation of municipal infrastructure without— 40

- (a) a realistic estimate of the value of the asset and future potential liability, including reflection on the budget of the benefiting municipality of the associated operating costs;
- (b) a resolution of the municipal council that it will take transfer of such asset and future operating costs; 45
- (c) the written approval of the relevant treasury, in terms of a framework required in subsection (3).

(2) The transferring national officer or the transferring provincial officer, as the case may be, must, within such period as may be determined by the National Treasury, report to the National Treasury on the actual transfers effected in respect of the allocations contemplated in subsection (1). 50

(3) The Minister may, with the concurrence of the Minister responsible for local government, develop a framework for transfer of assets. To the extent that the framework affects the restructuring of water services or electricity distribution, the Minister must consult with the relevant Minister prior to the determination of the framework. 5

Municipal capacity building allocations

13. (1) Any transfer of an allocation, other than an allocation on the vote of the National Treasury, aimed at developing and improving municipal systems and the capacity of municipalities to perform functions assigned to them, may only be made in terms of a framework determined by the national accounting officer responsible for local government, in consultation with the National Treasury. 10

(2) The framework contemplated in subsection (1) must take into account integrated planning, performance management, financial management, budgeting and spatial planning considerations, and ensure that the capacity of a municipality is developed in measurable ways. 15

(3) The transferring national or provincial officer responsible for a municipal capacity building allocation must, in the annual report of the relevant department, indicate the extent to which the capacity of any municipality was improved by that allocation and the extent to which such allocation was spent on non-public providers providing services or assistance to a municipality. 20

CHAPTER 4

DUTIES OF ACCOUNTING OFFICERS AND TREASURIES

Duties of transferring national officer

14. (1) A transferring national officer must, not later than 14 days after this Act takes effect, certify to the National Treasury that— 25

- (a) allocation frameworks, conditions and monitoring provisions are reasonable and do not impose an undue administrative burden on benefiting provinces and municipalities;
- (b) funds will only be transferred after information required in terms of this Act from the transferring national officer has been provided; 30
- (c) funds will only be deposited by the transferring national officer into a primary bank account of a province or municipality; and
- (d) all other arrangements or requirements necessary for the transfer of an allocation have been complied with.

(2) A transferring national officer who has not complied with subsection (1) must transfer such funds as directed by the National Treasury. 35

(3) A transferring national officer must transfer all allocations to a province or municipality by depositing such funds into the primary bank account of the province or municipality. Before transferring the first allocation of any grant, the transferring national officer must take note of any notice in terms of subsection 19(2) from the National Treasury outlining the details of the primary bank account for each province or municipality. 40

(4) Despite anything to the contrary contained in any law, a transferring national officer must, in respect of any allocation, as part of the report contemplated in section 40(4)(c) of the Public Finance Management Act, not later than 20 days after the end of each month, and in the format determined by the National Treasury, submit to the National Treasury and the relevant executive authority, information for the month reported on and for the financial year up to the end of that month, on— 45

- (a) the amount of funds transferred to a province or municipality;
- (b) the amount of funds delayed or withheld from any province or municipality and the reasons for such delay or withholding; 50
- (c) the actual expenditure incurred by the province or municipality in respect of the allocations listed in Schedule 5, 6 and 6A; and
- (d) such other issues as the National Treasury may determine.

Duties of transferring provincial officer

15. A transferring provincial officer must, as part of the report contemplated in section 40(4)(c) of the Public Finance Management Act, and in respect of any allocation to be transferred to municipalities, within 15 days after the end of each month and in the format determined by the National Treasury, submit to the national transferring officer, the relevant treasury and executive authority responsible for that department, information on—

- (a) the amount of funds transferred to a municipality in the month reported on and for the financial year up to the end of that month;
- (b) the amount of funds delayed or withheld from any municipality in the month reported on;
- (c) actual expenditure incurred in respect of that allocation in the month reported on and for the financial year up to the end of that month; and
- (d) such other issues as the National Treasury may determine.

Duties of receiving officer

16. (1) The relevant receiving officer must, in respect of an allocation to be transferred to—

- (a) a province, and as part of the report contemplated in section 40(4)(c) of the Public Finance Management Act, within 15 days after the end of each month, submit a report to the relevant provincial treasury, the relevant provincial executive authority and the transferring national officer; and
- (b) a municipality, within 10 days after the end of each month, submit a report to the relevant transferring national or provincial officer.

(2) The reports contemplated in subsection (1) must set out for that month and for the financial year up to the end of that month—

- (a) the amount received by the province or municipality, as the case may be;
- (b) the amount of funds delayed or withheld from the province or municipality, as the case may be;
- (c) the actual expenditure by the province or municipality, as the case may be, in respect of allocations set out in the Schedules 5, 6 and 6A;
- (d) the extent of compliance with the conditions of an allocation and with this Act;
- (e) an explanation for any material problems experienced or variations effected by the province or municipality, as the case may be, regarding an allocation which has been received and a summary of the steps taken to deal with such problems or the effect of such variations; and
- (f) such other issues and information as the National Treasury may determine.

(3) The accounting officer of a municipality must submit to the National Treasury, in writing—

- (a) immediately after the commencement of this Act, the details of the relevant municipality's primary bank account; and
- (b) immediately upon opening a new primary bank account, the details of that municipality's new primary bank account.

(4) The receiving officer of a district municipality which intends to transfer to a local municipality, and vice versa, an allocation transferred to it in terms of this Act, or any portion of such transfer, may only effect such a transfer, provided all allocations are reflected in both municipality's annual budgets by 1 July 2004, or if later, as approved by the National Treasury.

(5) The Minister may prescribe additional duties for the receiving officer contemplated in subsection (4).

Duties of provincial accounting officers and treasuries

17. (1) The provincial treasury must publish, with its annual budget or in the provincial *Gazette*, not later than 1 April 2004, the allocations per municipality for every allocation made by the province to a municipality in that province.
- (2) The MEC responsible for financial matters in the province must, in the publication contemplated in subsection (1), also indicate the envisaged division of the allocation contemplated in that subsection in respect of a municipality, for the next financial year and the 2006/07 financial year. 5
- (3) A provincial treasury must, within 22 days after the end of each month, and in the format determined by the National Treasury, and as part of its consolidated monthly report, report on— 10
- (a) actual transfers received by the province from national departments;
 - (b) actual expenditure on such allocations, excluding the allocations set out in Schedule 4, up to the end of that month;
 - (c) actual transfers made by the province to municipalities, and projections on actual expenditure by municipalities on such allocations; and 15
 - (d) any problems of compliance with this Act, by transferring provincial officers and receiving officers, and the steps taken to deal with such problems.
- (4) The report contemplated in subsection (3) must, in respect of the provincial infrastructure allocation, include reports for each quarter and be in such format as may be determined by the National Treasury. 20
- (5) Despite anything to the contrary contained in any law, a provincial treasury may, in accordance with any reporting framework determined by the National Treasury, make allocations to municipalities that were not published in terms of subsection (1).
- (6) The allocations contemplated in subsection (5) must be published in the provincial *Gazette* before any transfers can be made. 25

Annual financial statements for 2004/05

18. (1) The annual financial statements for the 2004/05 financial year of a department transferring any funds in respect of an allocation set out in Schedules 4, 5, 6, 6A, and 7, must, in addition to any requirements in terms of any other applicable law— 30
- (a) indicate the total amount of that allocation transferred to a province or municipality;
 - (b) indicate the funds, if any, that were withheld and the reasons for such withholding in respect of each province or municipality;
 - (c) certify that all transfers to a province or municipality were deposited into the primary bank account of a province or municipality; 35
 - (d) indicate to what extent a province or municipality was monitored for compliance with the conditions of an allocation and the provisions of this Act;
 - (e) indicate to what extent the allocation achieved its purpose and outputs;
 - (f) indicate the funds, if any, utilised for the administration of the allocation, and whether any portion of the allocation was retained by the transferring department for that purpose; and 40
 - (g) indicate any non-compliance with this Act, and the steps taken to deal with such non-compliance.
- (2) The annual financial statements of a provincial department receiving grants in respect of an allocation set out in Schedules 4, 5, 6 and 6A, must, in addition to any requirements in terms of any other applicable legislation— 45
- (a) indicate the total amount of all allocations received;
 - (b) indicate the total amount of actual expenditure on all allocations, except Schedule 4 allocations; 50
 - (c) certify that all transfers in terms of this Act to a province or municipality were deposited into the primary bank account of such province or municipality;

- (d) indicate to what extent a province or municipality met the conditions of such an allocation, and complied with the provisions of this Act;
 - (e) indicate the extent to which the objectives of the allocation were achieved; and
 - (f) contain such other information as the National Treasury may determine. 5
- (3) The annual financial statements and annual reports of a municipality for the 2004/05 financial year must be in accordance with the Municipal Finance Management Act.
- (4) The National Treasury may determine how transferring departments and receiving municipalities report on local government allocations on a quarterly basis to facilitate the audit of allocations for both the national and municipal financial years. 10

CHAPTER 5

DUTIES OF NATIONAL TREASURY AND AUDITOR-GENERAL

Duties of National Treasury

- 19.** (1) The National Treasury must, together with the report contemplated in section 32(2) of the Public Finance Management Act, publish a report on actual transfers of all allocations listed in the Schedules referred to in section 7 or made in terms of section 9. 15
- (2) The National Treasury must, by 1 April 2004, submit a notice to all transferring national officers, details of the primary bank account of each province and municipality.
- (3) The Minister may, in writing, delegate any of the powers entrusted to the National Treasury in terms of this Act, to the Director-General of the National Treasury. 20
- (4) The Director-General of the National Treasury may, in writing, delegate any of the powers referred to in subsection (3) to an official of the National Treasury.

Duties of Auditor-General

- 20.** (1) Without derogating from the powers and duties of the Auditor-General in terms of the Constitution and any other law, the Auditor-General may, in the audit of financial statements on the allocations set out in Chapter 3 or in a special report to be submitted to Parliament, report on— 25
- (a) the extent of compliance with this Act by transferring national officers, transferring provincial officers and receiving officers; 30
 - (b) whether there was compliance with the certification and reporting requirements of this Act;
 - (c) the evaluation of evidence supporting the amounts and disclosures in monthly and annual reports contemplated in this Act;
 - (d) whether a transferring national officer or transferring provincial officer made unauthorised transfers to any province or municipality or to any public, or other entity; 35
 - (e) whether the monitoring system of the transferring departments was in compliance with this Act;
 - (f) whether each allocation to a province or municipality was made in accordance with this Act; and 40
 - (g) such other intergovernmental financial management matters as may be prescribed.
- (2) The internal audit unit of a department or municipality and its audit committee must establish procedures, systems and mechanisms to facilitate the external audit contemplated in subsection (1). 45

CHAPTER 6

GENERAL

Delaying of payments

21. (1) Subject to subsection (2), a transferring national officer may, after consultation with the National Treasury and the relevant provincial treasury, for a period not exceeding 30 days, delay the payment of an allocation in terms of Chapter 3, or any portion of such allocation, if— 5

- (a) the province or municipality does not comply with the conditions to which the allocation is subject;
- (b) the municipality is in serious or persistent material breach of the measures contemplated in section 5(6) or 5(7) ; or 10
- (c) expenditure on previous transfers reflects significant under-spending for which no satisfactory explanation is given.

(2) The National Treasury may, after consultation with the relevant provincial treasury for a grant to that province, allow the transfer to be delayed for a period exceeding 30 days if such delay will ensure compliance with the conditions to which an allocation is subject or will ensure significant spending on that allocation. 15

(3) The transferring national officer must, in the monthly reports contemplated in this Act, inform the National Treasury of the steps taken to deal with the causes of the payment delay. 20

Withholding of payments

22. (1) The National Treasury may, subject to section 216 of the Constitution, withhold the transfer of—

- (a) an allocation set out in Schedules 4, 5, 6 and 6A, or any portion of such allocation, if the province or municipality is in serious or persistent material breach of the conditions to which the allocation is subject; or 25
- (b) an allocation in terms of section 5, if the municipality is in serious or persistent material breach of the measures contemplated in section 5(7); or
- (c) an allocation in terms of section 9;

if the transferring national officer has submitted to the province or municipality, as the case may be, a written report, at least 21 days before such allocation is due to be transferred, setting out facts reflecting a serious or persistent material breach of the conditions to which the allocation is subject or upon receipt of audit reports for previous financial years which indicate serious or persistent material breach of this Act. 30

(2) The Minister may, approve that an allocation, or any portion thereof, withheld from a municipality in terms of subsection (1), be utilised to meet that municipality's outstanding statutory financial commitments. 35

(3) The utilisation of money contemplated in subsection (2) is a direct charge against the National Revenue Fund.

Interim arrangements for reallocation 40

23. (1) A transferring national or provincial officer may, in the case of local and district municipalities, with the written consent of the National Treasury and after consultation with the affected municipalities, reallocate an allocation referred to in section 7, or a portion of such an allocation, from one municipality to another municipality within that district— 45

- (a) if the reallocation is necessary to give effect to the division of functions within that district and to reduce the risk of under-spending; or
- (b) if the affected district and local municipalities fail to agree on the performance of any municipal service.

(2) A transferring national officer may, with the written consent of the National Treasury and after consultation with the affected provinces, reallocate the grant for the Comprehensive HIV and Aids grant, or a portion of such an allocation, from one province to another province, if the reallocation is necessary to shift funds from provinces spending less per month than as agreed with the transferring national officer at the beginning of the financial year. 5

(3) The National Treasury must publish in the *Gazette* particulars of any reallocation of an allocation in terms of subsection (1) or (2) before any transfer of funds to give effect to the re-allocation.

Spending in terms of purpose and subject to conditions 10

24.(1) The Minister must, with regard to an allocation referred to in Schedule 4, 5, 6, 6A, or 7, publish in the *Gazette*, by 1 April 2004, the conditions of, and any other information in respect of, the allocations. Such publication must also include all allocations per municipality for each of the Schedule 6, 6A, or 7 grants to local government. 15

(2) Despite anything to the contrary contained in any law, an allocation referred to in Schedule 4, 5, 6, 6A, or 7 may only be utilised for the purpose stipulated in the Schedules concerned and in accordance with the allocations or conditions published by the Minister in the *Gazette*. The Minister may publish after 1 April 2004 in terms of section 9, or to correct or revise conditions or allocations. 20

(3) The utilisation of an allocation set out in the Schedules for purposes other than those set out in the Schedules concerned, constitutes a breach of the measures established in terms of section 216(1) of the Constitution.

(4) Despite subsections (1) and (2), the National Treasury may authorise a province or municipality to retain and utilise such portion of the funds of an allocation set out in the Schedules listed in section 7, which remains after the fulfilment of that allocation's purpose, and compliance with the conditions to which it is subject. 25

Transfers made in error

25.(1) Despite anything to the contrary contained in any law, the transfer of an allocation to a province, in error, is regarded as not legally due to the province for the purpose of its Revenue Fund. 30

(2) A transfer contemplated in subsection (1) must be recovered without delay by the responsible transferring national officer.

(3) The National Treasury may direct that the recovery contemplated in subsection (1) be effected by set-off against future transfers to the province, which would otherwise become due in accordance with a payment schedule. 35

(4) Despite anything to the contrary contained in any law, the transfer of an allocation to a municipality, or a public entity in error, is regarded as not legally due to that municipality or public entity and must, within a reasonable period, be recovered by the responsible transferring national officer or transferring provincial officer. 40

(5) The national accounting officer responsible for local government may direct that the recovery contemplated in subsection (4) be effected by set-off against transfers to the municipality concerned, which would otherwise become due in accordance with any payment schedule.

Transfers to municipalities with weak administrative capacity 45

26. (1) If the national accounting officer responsible for local government has reasonable grounds to believe that —

- (a) a local municipality is not able to effectively administer an allocation referred to in section 7, or a portion of such an allocation, that officer may, for purposes of proper administration of the allocation, transfer such allocation, or portion thereof, to the relevant district municipality or to another local municipality within the district, after consultation with the municipalities concerned; or 50

(b) a district municipality is not able to effectively administer an allocation referred to in section 7, or a portion of such an allocation, that officer may, for purposes of proper administration of the allocation, transfer such allocation, or portion thereof, to a local municipality within the district, after consultation with the municipalities concerned. 5

(2) Any allocation, or portion thereof, contemplated in subsection (1) must be administered by the district or local municipality to which it has been transferred, in accordance with any directions issued by the national accounting officer responsible for local government. 10

(3) The national accounting officer responsible for local government must publish in the *Gazette* particulars of the transfer of any allocation in terms of subsection (1). 10

Funds to follow transfer of functions or obligations

27. (1) Despite anything to the contrary contained in any law, the transfer of functions or obligations from an organ of state in one sphere of government to an organ of state in another sphere of government or from one municipality to another municipality must take place only with the prior written approval of the Minister and the Minister responsible for provincial and local government. 15

(2) The transfer of functions or obligations contemplated in subsection (1) must, unless the Minister directs otherwise, include the transfer of funds available to the transferring organ of state or sphere of government for the purposes of performing such transferred function or obligation. 20

(3) No financial function or obligation of a national or provincial department may be imposed on a municipality without—

(a) that municipality's prior written acceptance by resolution of its council; and

(b) the prior written approval of the National Treasury. 25

(4) A province must utilise its own funds for any function or obligation arising from a transfer by that province, which is in conflict with sections (1) and (3).

(5) Any liability arising from a determination of functions between a district and local municipality by a province in terms of section 84 or 85 of the Municipal Structures Act is a liability of that province and not of the national government. 30

Amendment of payment schedule and transfer mechanism

28. (1) Subject to subsection (2), a transferring national officer may, in respect of an allocation set out in Schedule 4, 5, 6 or 6A, after consultation with the National Treasury and the relevant provincial treasury, amend a payment schedule due to the under-spending of funds or on the grounds of under-performance or non-compliance with the conditions of an allocation. 35

(2) The National Treasury may, in the interest of better debt and cash-flow management, or to deal with financial mismanagement, amend any payment schedule for an allocation listed in Schedule 2, 3, 4, 5, 6 or 6A after consultation with —

(a) the heads of a provincial treasury, in the case of a provincial allocation; and 40

(b) the accounting officer of the national department responsible for local government and with organised local government, in the case of a local government allocation.

(3) A payment schedule revised in terms of subsection (1) or (2) must take reasonable account of the monthly spending commitments of provinces or municipalities, the revenue at the disposal of provinces or municipalities, and the minimisation of risk and debt servicing costs. 45

(4) An amendment of a payment schedule in terms of subsection (2) prevails over any amendment made in terms of subsection (1).

Exemptions by National Treasury

29. (1) The National Treasury may, on application in writing by a transferring national or provincial officer, exempt in writing a transferring national or provincial officer from the duty to comply with reporting requirements or any other requirement regarding an allocation set out in a Schedule referred to in section 7 or envisaged in section 9: Provided that such officer satisfies the National Treasury that— 55

- (a) the duty cannot be complied with at that stage;
 - (b) the allocation programme is properly designed; and
 - (c) the accounting officer is taking steps to comply with the provisions of this Act.
- (2) Any exemption contemplated in subsection (1)—
- (a) may only be granted if the accounting officer provides reasons why information was not included in respect of an allocation set out in a Schedule referred to in section 7; and
 - (b) must set out the conditions, if any, to which it is subject and must be published in the Gazette.

Non-compliance with Act constitutes financial misconduct 10

30. Despite anything to the contrary contained in any law, any serious or persistent non-compliance with a provision of this Act, or the conditions, which an allocation in terms of this Act is subject to, constitutes financial misconduct. Any wilful act by a national transferring officer or provincial transferring officer to deposit funds in an account other than the primary account of a province or municipality is an offence, and such a person is, on conviction, liable to imprisonment or a fine as provided for in section 86 (1) of the Public Finance Management Act. 15

Liability for costs incurred in violation of principles of co-operative governance and intergovernmental relations

31. (1) An organ of state involved in an intergovernmental dispute regarding any provision of this Act or any financial or fiscal matter must, before approaching a court to resolve such dispute, make every effort to settle the dispute with the other organ of state concerned, including by making use of the structures established in terms of the Intergovernmental Fiscal Relations Act. 20

(2) In the event that a dispute is referred back by a court in accordance with section 41(4) of the Constitution, due to the court not being satisfied that the organ of state approaching the court has complied with subsection (1), the expenditure incurred by that organ of state in approaching the court must be regarded as fruitless and wasteful. 25

(3) The amount of any such fruitless and wasteful expenditure must, in terms of a prescribed procedure, be recovered without delay from the person who caused the organ of state not to comply with the requirements of subsection (1). 30

Acts performed before Act took effect

32. Despite anything to the contrary contained in any law, any act performed prior to 1 April 2004 or in accordance with any prescribed requirements in fulfilment of the objects of this Act is regarded as having been done in terms of the relevant provisions of this Act. 35

Regulations

- 33.** The Minister may, by notice in the *Gazette*, make regulations regarding—
- (a) anything which must or may be prescribed in terms of this Act; and
 - (b) any matter which it is necessary to prescribe for the effective implementation of the provisions and achievement of the objects of this Act. 40

Repeal of laws

34. (1) Subject to subsection (2), the Division of Revenue Act, 2003 (Act No. 7 of 2003), is hereby repealed with effect from the date on which this Act takes effect.

(2) The repeal of the Division of Revenue Act, 2003, does not affect any duty or obligation set out in that Act, the execution of which is still outstanding. 45

Roll-overs from past conditional grants

35. (1) All provincial departments which received conditional grants during the 2001/02, 2002/03 and 2003/04 financial years must report on actual spending against such grants, including spending on roll-overs in subsequent years on such grants, in their 2003/04 annual report, and to the relevant treasury by 31 May 2004. 5

(2) A provincial department that transfers conditional grant/s to a municipality or public entity must submit a report on actual spending by that municipality or public entity to the relevant provincial treasury by 31 May 2004.

(3) The relevant treasury must submit the report contemplated in subsection (1) to the National Treasury by 15 June 2004. 10

(4) The Minister may, after consultation with a Minister responsible for an infrastructure conditional grant under spent in previous financial years, review such grant if a roll-over from such grant is projected to lead to significant under-spending on the amounts allocated in this Act for the 2004/05 financial year, and direct that any projected surplus be shifted to fund existing infrastructure budgets in that province, subject to the province passing an adjustments appropriation: Provided that the province will be responsible for funding any future commitments for that conditional grant that the province has failed to anticipate during the review, up to the maximum total of shifted funds. 15

Short title and commencement 20

36. This Act is called the Division of Revenue Act, 2004, and takes effect on 1 April 2004.

SCHEDULE 1

EQUITABLE DIVISION OF REVENUE ANTICIPATED TO BE RAISED NATIONALLY AMONG THE THREE SPHERES OF GOVERNMENT

Spheres of Government	Column A	Column B	
	2004/05 Allocation	Forward Estimates	
		2005/06	2006/07
	R'000	R'000	R'000
National ¹	201 255 191	222 158 431	243 300 820
Provincial	159 971 402	173 851 535	186 391 726
Local	7 677 546	8 643 341	9 364 940
TOTAL	368 904 139	404 653 307	439 057 486

1. National share includes conditional grants to provincial and local spheres, debt service cost and the contingency reserve.

SCHEDULE 2

DETERMINATION OF EACH PROVINCE'S EQUITABLE SHARE OF THE PROVINCIAL SPHERE'S SHARE OF REVENUE RAISED NATIONALLY (as a direct charge against the National Revenue Fund)

Province	Column A	Column B	
	2004/05 Allocation	Forward Estimates	
		2005/06	2006/07
	R'000	R'000	R'000
Eastern Cape	26 990 176	29 082 907	30 913 625
Free State	10 551 267	11 378 197	12 103 992
Gauteng	24 547 021	26 643 833	28 530 264
KwaZulu-Natal	33 058 939	36 105 489	38 900 829
Limpopo	21 788 865	23 730 291	25 496 547
Mpumalanga	11 606 061	12 748 274	13 812 776
Northern Cape	3 838 795	4 124 972	4 372 227
North West	13 270 464	14 409 922	15 436 497
Western Cape	14 319 814	15 627 650	16 824 969
TOTAL	159 971 402	173 851 535	186 391 726

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
EASTERN CAPE					
A		Nelson Mandela	161 075	155 976	174 216
B	EC101	Camdeboo	8 555	7 298	8 014
B	EC102	Blue Crane Route	10 717	9 067	9 884
B	EC103	Ikwezi	4 168	3 766	4 006
B	EC104	Makana	15 855	13 562	15 144
B	EC105	Ndlambe	13 420	11 808	13 151
B	EC106	Sundays River Valley	12 436	9 998	10 741
B	EC107	Baviaans	5 080	4 074	4 341
B	EC108	Kouga	11 099	10 380	11 587
B	EC109	Koukamma	7 627	7 540	8 253
C	DC10	Cacadu District Municipality	4 730	3 390	2 251
Total: Cacadu Municipalities			93 686	80 883	87 372
B	EC121	Mbhashe	49 641	41 216	41 678
B	EC122	Mnquma	54 811	45 253	48 400
B	EC123	Great Kei	10 014	8 872	9 371
B	EC124	Amahlathi	27 472	22 327	23 682
B	EC125	Buffalo City	192 698	168 569	178 424
B	EC126	Ngqushwa	20 213	16 549	16 994
B	EC127	Nkonkobe	24 982	22 460	23 714
B	EC128	Nxuba	6 266	5 451	5 756
C	DC12	Amatole District Municipality	87 653	73 036	80 214
Total: Amatole Municipalities			473 751	403 734	428 232
B	EC131	Inxuba Yethemba	8 589	8 306	9 067
B	EC132	Tsolwana	9 074	7 141	7 161
B	EC133	Inkwanca	5 583	4 910	5 192
B	EC134	Lukhanji	26 289	24 311	25 573
B	EC135	Intsika Yethu	44 919	37 325	35 520
B	EC136	Emalahleni	26 659	21 519	20 997
B	EC137	Engcobo	30 544	25 177	25 588
B	EC138	Sakhisizwe	11 398	10 142	10 685
C	DC13	Chris Hani District Municipality	94 387	82 964	89 205
Total: Chris Hani Municipalities			257 441	221 796	228 988
B	EC141	Elundini	31 054	25 332	26 913
B	EC142	Senqu	28 045	24 788	26 275
B	EC143	Maletswai	6 766	6 397	6 869
B	EC144	Gariep	6 950	6 333	6 749
C	DC14	Ukhahlamba District Municipality	50 301	45 372	47 992
Total: Ukhahlamba Municipalities			123 117	108 221	114 798
B	EC151	Mbizana	41 780	34 675	35 200
B	EC152	Ntabankulu	25 903	21 574	22 799
B	EC153	Qaukeni	44 752	37 078	38 926
B	EC154	Port St. Johns	30 252	24 930	24 114
B	EC155	Nyandeni	51 184	42 576	43 438
B	EC156	Mhlontlo	39 182	32 334	33 480
B	EC157	King Sabata Dalindyebo	71 146	57 754	55 092
C	DC15	O.R. Tambo District Municipality	184 659	151 209	159 493
Total: O.R Tambo Municipalities			488 857	402 130	412 541
B	EC05b1	Umzimkhulu	32 603	26 815	28 089
B	EC05b2	Umzimvubu	78 134	65 279	64 636
C	DC44	Alfred Nzo District Municipality	73 249	61 216	64 528
Total: Alfred Nzo Municipalities			183 986	153 309	157 253
Total: Eastern Cape Municipalities			1 781 913	1 526 050	1 603 400

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
FREE STATE					
B	FS161	Letsemeng	12 357	10 787	11 857
B	FS162	Kopanong	16 906	16 051	17 927
B	FS163	Mohokare	17 044	13 166	11 867
C	DC16	Xhariep District Municipality	3 380	3 158	3 142
Total: Xhariep Municipalities			49 687	43 163	44 793
B	FS171	Naledi	11 948	9 097	9 198
B	FS172	Mangaung	204 286	143 829	148 678
B	FS173	Mantsopa	18 019	13 898	15 126
C	DC17	Motheo District Municipality	1 038	1 041	1 000
Total: Motheo Municipalities			235 291	167 864	174 002
B	FS181	Masilonyana	26 813	20 590	21 432
B	FS182	Tokologo	12 372	9 507	10 018
B	FS183	Tswelopele	21 556	16 634	14 502
B	FS184	Matjhabeng	121 457	92 220	98 847
B	FS185	Nala	30 437	25 684	28 369
C	DC18	Lejweleputswa District Municipality	1 658	1 066	1 000
Total: Lejweleputswa Municipalities			214 293	165 701	174 167
B	FS191	Setsoto	39 563	32 588	35 808
B	FS192	Dihlabeng	26 752	23 944	26 824
B	FS193	Nketoana	26 140	20 207	17 669
B	FS194	Maluti-a-Phofung	131 286	103 763	88 036
B	FS195	Phumelela	15 135	12 555	13 619
C	DC19	Thabo Mofutsanyana District Municipality	13 622	13 248	12 897
Total: Thabo Mofutsanyane Municipalities			252 499	206 305	194 853
B	FS201	Moqhaka	42 731	32 777	32 476
B	FS203	Ngwathe	39 052	29 383	29 616
B	FS204	Metsimaholo	21 751	19 492	21 780
B	FS205	Mafube	18 061	14 534	16 003
C	DC20	Northern Free State District Municipality	1 159	1 041	1 000
Total: Northern Free State Municipalities			122 754	97 227	100 876
Total: Free State Municipalities			874 524	680 260	688 691

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
			R'000	R'000	R'000
GAUTENG					
A		Ekurhuleni	305 515	425 108	485 023
A		City of Johannesburg	391 161	540 445	613 393
A		City of Tshwane	201 389	269 776	300 956
B	GT02b1	Nokeng tsa Taemane	7 326	9 787	10 945
B	CBLC2	Kungwini	14 986	21 587	24 145
C	CBDC2	Metsweding District Municipality	2 586	1 663	1 099
Total: Metsweding Municipalities			24 897	33 036	36 189
B	GT421	Emfuleni	77 076	105 871	120 471
B	GT422	Midvaal	11 233	11 238	12 559
B	GT423	Lesedi	8 379	11 160	12 679
C	DC42	Sedibeng District Municipality	1 088	1 041	1 000
Total: Sedibeng Municipalities			97 776	129 310	146 709
B	GT411	Mogale City	32 985	46 587	52 914
B	GT412	Randfontein	14 225	19 626	22 314
B	GT414	Westonaria	27 282	38 498	43 106
B	CBLC8	Merafong City	42 752	61 046	68 625
C	CBDC8	West Rand District Municipality	2 131	1 927	1 591
Total: West Rand Municipalities			119 375	167 683	188 550
Total: Gauteng Municipalities			1 140 115	1 565 358	1 770 820

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
KWAZULU-NATAL					
A		eThekweni	392 243	474 524	525 556
B	KZ211	Vulamehlo	13 672	13 284	14 045
B	KZ212	Umdoni	4 904	6 709	7 345
B	KZ213	Umzumbe	19 114	27 012	29 134
B	KZ214	uMuziwabantu	11 610	14 643	15 676
B	KZ215	Ezingolweni	7 535	9 456	10 022
B	KZ216	Hibiscus Coast	15 394	22 771	24 794
C	DC21	Ugu District Municipality	38 680	52 554	57 432
Total: Ugu Municipalities			110 909	146 429	158 447
B	KZ221	uMshwathi	12 600	17 936	19 354
B	KZ222	uMngeni	7 822	9 489	9 866
B	KZ223	Mpofana	4 768	6 525	7 082
B	KZ224	Impendle	5 337	7 030	7 404
B	KZ225	Msunduzi	74 873	86 475	91 769
B	KZ226	Mkhambathini	7 472	10 863	11 682
B	KZ227	Richmond	8 927	10 473	11 211
C	DC22	uMgungundlovu District Municipality	20 830	28 040	32 068
Total: uMgungundlovu Municipalities			142 629	176 832	190 437
B	KZ232	Emnambithi/Ladysmith	18 537	24 895	26 677
B	KZ233	Indaka	11 519	16 102	17 278
B	KZ234	Umtshezi	7 714	8 663	8 762
B	KZ235	Okhahlamba	13 082	18 981	20 346
B	KZ236	Imbabazane	11 658	16 529	17 634
C	DC23	Uthukela District Municipality	32 937	45 274	49 712
Total: Uthukela Municipalities			95 448	130 443	140 409
B	KZ241	Endumeni	4 523	5 996	6 594
B	KZ242	Nquthu	14 919	19 830	20 975
B	KZ244	Msinga	22 142	25 321	27 149
B	KZ245	Umvoti	16 009	14 790	15 818
C	DC24	Umzinyathi District Municipality	36 259	42 893	45 847
Total: Umzinyathi Municipalities			93 853	108 830	116 384
B	KZ252	Newcastle	39 663	50 828	55 422
B	KZ253	Utrecht	4 089	5 231	5 528
B	KZ254	Dannhauser	9 727	13 412	14 326
C	DC25	Amajuba District Municipality	6 452	9 053	10 049
Total: Amajuba Municipalities			59 932	78 525	85 326

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
B	KZ261	eDumbe	8 157	11 449	12 356
B	KZ262	uPhongolo	12 960	18 326	19 622
B	KZ263	Abaqulusi	15 081	20 417	21 804
B	KZ265	Nongoma	17 067	23 590	25 030
B	KZ266	Ulundi	19 729	26 365	27 710
C	DC26	Zululand District Municipality	41 824	56 476	61 108
Total: Zululand Municipalities			114 818	156 623	167 630
B	KZ271	Umhlabuyalingana	14 692	19 404	20 869
B	KZ272	Jozini	16 944	24 414	26 310
B	KZ273	The Big 5 False Bay	4 879	6 391	6 775
B	KZ274	Hlabisa	13 221	18 822	20 211
B	KZ275	Mtubatuba	5 225	5 801	5 898
C	DC27	Umkhanyakude District Municipality	36 943	48 377	51 422
Total: Umkhanyakude Municipalities			91 904	123 210	131 485
B	KZ281	Mbonambi	9 587	13 739	14 777
B	KZ282	uMhlathuze	35 308	47 731	51 036
B	KZ283	Ntambanana	6 554	8 463	8 894
B	KZ284	Umlalazi	20 246	28 763	30 730
B	KZ285	Mthonjaneni	7 294	10 095	10 799
B	KZ286	Nkandla	14 401	19 567	20 897
C	DC28	uThungulu District Municipality	25 676	38 611	42 443
Total: uThungulu Municipalities			119 065	166 969	179 577
B	KZ291	eNdongakusuka	16 727	18 642	19 513
B	KZ292	KwaDukuza	21 101	19 016	20 481
B	KZ293	Ndwedwe	17 722	21 848	23 444
B	KZ294	Maphumulo	15 592	17 337	18 488
C	DC29	Ilembe District Municipality	31 945	37 192	41 192
Total: Ilembe Municipalities			103 086	114 035	123 119
B	KZ5a1	Ingwe	13 407	16 915	18 099
B	KZ5a2	Kwa Sani	4 174	4 419	4 645
B	KZ5a3	Matatiele	3 381	4 167	4 479
B	KZ5a4	Kokstad	8 105	11 424	12 737
B	KZ5a5	Ubuhlebezwe	12 269	16 578	17 876
C	DC43	Sisonke District Municipality	19 998	27 646	31 173
Total: Sisonke Municipalities			61 334	81 147	89 008
Total: KwaZulu-Natal Municipalities			1 385 221	1 757 567	1 907 379

1. All allocations are for the national financial year

SCHEDULE 3

DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹

Category	Number	Municipality	Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
			R'000	R'000	R'000
LIMPOPO					
B	NP03A2	Makhuduthamaga	23 870	35 183	37 862
B	NP03A3	Fetakgomo	10 666	14 218	15 178
B	CBLC3	Greater Marble Hall	13 943	18 581	19 461
B	CBLC4	Greater Groblersdal	24 452	32 716	33 910
B	CBLC5	Greater Tubatse	25 397	36 784	39 410
C	CBDC3	Greater Sekhukhune Cross Boundary	65 791	89 332	96 360
Total: Greater Sekhukhune Cross Boundary Municipalities			164 119	226 813	242 180
B	NP04A1	Maruleng	11 285	16 044	17 188
B	CBLC6	Bushbuckridge	60 176	72 187	74 065
C	CBDC4	Bohlabela District Municipality	42 162	56 142	61 259
Total: Bohlabela Municipalities			113 623	144 374	152 512
B	NP331	Greater Giyani	36 820	41 134	40 925
B	NP332	Greater Letaba	24 710	35 263	37 601
B	NP333	Greater Tzaneen	37 926	55 937	60 141
B	NP334	Ba-Phalaborwa	16 491	18 701	18 851
C	DC33	Mopani District Municipality	48 144	71 518	81 999
Total: Mopani Municipalities			164 092	222 554	239 517
B	NP341	Musina	7 302	8 647	9 345
B	NP342	Mutale	13 470	15 051	15 332
B	NP343	Thulamela	56 884	76 720	81 421
B	NP344	Makhado	50 831	67 751	70 483
C	DC34	Vhembe District Municipality	56 494	82 918	95 225
Total: Vhembe Municipalities			184 982	251 086	271 806
B	NP351	Blouberg	19 752	24 592	26 134
B	NP352	Aganang	14 491	21 308	22 887
B	NP353	Molemole	12 807	18 674	20 027
B	NP354	Polokwane	65 244	97 541	107 801
B	NP355	Lepelle-Nkumpi	21 432	31 378	33 699
C	DC35	Capricorn District Municipality	30 344	45 369	52 128
Total: Capricorn Municipalities			164 070	238 862	262 676
B	NP361	Thabazimbi	13 786	17 074	18 944
B	NP362	Lephalale	16 350	23 134	25 792
B	NP364	Mookgapong	4 945	6 844	7 538
B	NP365	Modimolle	10 535	14 877	16 582
B	NP366	Bela Bela	8 159	9 990	11 155
B	NP367	Mogalakwena	38 425	57 568	63 654
C	DC36	Waterberg District Municipality	5 668	3 644	2 409
Total: Waterberg Municipalities			97 868	133 131	146 075
Total: Limpopo Municipalities			888 752	1 216 820	1 314 766

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
MPUMALANGA					
B	MP301	Albert Luthuli	31 424	39 027	42 460
B	MP302	Msukaligwa	17 929	22 819	25 735
B	MP303	Mkhondo	17 478	25 835	28 632
B	MP304	Seme	12 628	17 245	19 188
B	MP305	Lekwa	14 131	18 365	20 743
B	MP306	Dipaleseng	7 911	10 276	11 312
B	MP307	Govan Mbeki	34 813	47 120	53 376
C	DC30	Gert Sibande District Municipality	3 368	2 165	1 431
Total: Gert Sibande Municipalities			139 681	182 851	202 877
B	MP311	Delmas	8 385	11 494	12 879
B	MP312	Emalahleni	34 422	48 139	54 242
B	MP313	Steve Tshwete	17 375	20 937	23 655
B	MP314	Highlands	7 545	8 730	9 640
B	MP315	Thembisile	35 784	51 536	56 020
B	MP316	Dr JS Moroka	34 902	49 939	54 014
C	DC31	Nkangala District Municipality	1 299	1 050	1 003
Total: Nkangala Municipalities			139 713	191 825	211 453
B	MP321	Thaba Chweu	18 600	19 604	21 832
B	MP322	Mbombela	63 561	91 405	99 964
B	MP323	Umjindi	10 690	12 936	14 397
B	MP324	Nkomazi	47 021	71 713	79 300
C	DC32	Ehlanzeni District Municipality	5 599	3 605	2 389
Total: Ehlanzeni Municipalities			145 470	199 263	217 881
Total: Mpumalanga Municipalities			424 864	573 938	632 211

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
NORTHERN CAPE					
B	NC01B1	Gamagara	5 240	3 944	3 050
B	NW1a1	Moshaweng	18 496	16 461	17 566
B	CBLC1	Ga-Segonyana	14 090	15 287	16 507
C	CBDC1	Kgalagadi District Municipality	16 590	14 808	14 230
Total: Kgalagadi Cross Border Municipalities			54 415	50 499	51 353
B	NC061	Richtersveld	3 342	2 795	2 942
B	NC062	Nama Khoi	7 745	6 365	7 032
B	NC064	Kamiesberg	4 183	3 128	2 762
B	NC065	Hantam	6 710	5 048	4 784
B	NC066	Karoo Hoogland	5 132	3 868	3 616
B	NC067	Khai-Ma	3 439	3 354	3 572
C	DC6	Namakwa District Municipality	2 520	1 930	1 397
Total: Namakwa Municipalities			33 071	26 486	26 106
B	NC071	Ubuntu	6 919	5 465	4 868
B	NC072	Umsobomvu	8 320	6 550	7 049
B	NC073	Emthanjeni	9 403	6 980	7 431
B	NC074	Kareeberg	4 715	3 530	3 201
B	NC075	Renosterberg	4 594	3 412	3 502
B	NC076	Thembelihle	4 582	3 387	3 536
B	NC077	Siyathemba	6 340	4 740	4 517
B	NC078	Siyancuma	10 448	8 363	9 078
C	DC7	Karoo District Municipality	3 751	2 909	1 993
Total: Karoo Municipalities			59 073	45 335	45 174
B	NC081	Mier	3 412	2 848	2 938
B	NC082	Kai ! Garib	12 099	13 219	14 577
B	NC083	//Khara Hais	10 087	8 375	9 408
B	NC084	! Kheis	4 796	4 362	4 639
B	NC085	Tsantsabane	7 118	6 142	6 676
B	NC086	Kgatelopele	5 017	3 721	3 037
C	DC8	Siyanda District Municipality	4 246	3 714	3 584
Total: Siyanda Municipalities			46 775	42 381	44 859
B	NC091	Sol Plaatje	29 126	32 537	35 981
B	NC092	Thusanang	12 119	9 986	10 827
B	NC093	Magareng	8 157	6 181	6 625
B	CBLC7	Phokwane	16 800	14 138	15 223
C	DC9	Frances Baard District Municipality	2 556	2 342	1 868
Total: Frances Baard Municipalities			68 758	65 184	70 523
Total: Northern Cape Municipalities			262 092	229 886	238 015

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05	MTEF Outer Years	
			Allocation	2005/06	2006/07
			R'000	R'000	R'000
NORTH WEST					
B	NW371	Moretele	24 696	37 166	40 721
B	NW372	Madibeng	61 973	70 577	77 718
B	NW373	Rustenburg	58 978	79 234	87 839
B	NW374	Kgetlengrivier	8 495	9 248	10 194
B	NW375	Moses Kotane	43 764	51 250	55 503
C	DC37	Bojanala Platinum District Municipality	9 209	2 986	1 805
Total: Bojanala Platinum Municipalities			207 115	250 461	273 779
B	NW381	Ratlou	17 982	16 407	17 212
B	NW382	Tswaing	14 010	15 672	16 636
B	NW383	Mafikeng	26 209	29 149	31 579
B	NW384	Ditsobotla	14 322	18 419	19 815
B	NW385	Zeerust	17 247	20 079	21 234
C	DC38	Central District Municipality	51 813	53 910	59 503
Total: Central Municipalities			141 583	153 637	165 979
B	NW391	Kagisano	18 712	15 848	16 744
B	NW392	Naledi	6 849	7 845	8 579
B	NW393	Mamusa	8 100	8 194	8 782
B	NW394	Greater Taung	30 524	26 667	27 938
B	NW395	Molopo	4 133	3 745	3 877
B	NW396	Lekwa-Teemane	5 980	7 203	7 785
C	DC39	Bophirima District Municipality	37 699	35 189	39 266
Total: Bophirima Municipalities			111 996	104 691	112 971
B	NW401	Ventersdorp	9 710	10 506	11 512
B	NW402	Potchefstroom	15 128	18 065	20 425
B	NW403	Klerksdorp	53 496	71 220	80 967
B	NW404	Maquassi Hills	13 421	15 743	17 447
C	DC40	Southern District Municipality	1 244	1 044	1 000
Total: Southern Municipalities			92 999	116 579	131 350
Total: North West Municipalities			553 692	625 368	684 079

1. All allocations are for the national financial year

SCHEDULE 3

**DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT
SPHERE'S SHARE OF REVENUE RAISED NATIONALLY ¹**

Category	Number	Municipality	Column A	Column B	
			2004/05 Allocation	MTEF Outer Years	
				2005/06	2006/07
			R'000	R'000	R'000
WESTERN CAPE					
A		City of Cape Town	205 778	275 550	311 970
B	WC011	Matzikama	6 316	6 970	7 809
B	WC012	Cederberg	5 061	6 662	7 397
B	WC013	Bergrivier	4 014	5 033	5 688
B	WC014	Saldanha Bay	4 443	6 240	7 148
B	WC015	Swartland	6 997	6 582	7 304
C	DC1	West Coast District Municipality	1 790	1 634	1 395
Total: West Coast Municipalities			28 621	33 121	36 741
B	WC022	Witzenberg	8 939	10 816	12 123
B	WC023	Drakenstein	13 366	16 347	18 488
B	WC024	Stellenbosch	8 153	10 590	11 976
B	WC025	Breede Valley	13 174	14 536	16 331
B	WC026	Breede River Winelands	8 286	10 103	11 508
C	DC2	Boland District Municipality	2 493	2 250	1 807
Total: Boland Municipalities			54 411	64 643	72 233
B	WC031	Theewaterskloof	9 317	11 466	12 952
B	WC032	Overstrand	4 921	6 844	7 839
B	WC033	Cape Agulhas	2 335	2 748	3 136
B	WC034	Swellendam	4 042	4 432	4 874
C	DC3	Overberg District Municipality	1 053	1 046	1 003
Total: Overberg Municipalities			21 668	26 537	29 805
B	WC041	Kannaland	4 189	5 048	5 474
B	WC042	Langeberg	3 916	4 521	5 127
B	WC043	Mossel Bay	4 980	6 903	7 916
B	WC044	George	10 488	14 734	16 783
B	WC045	Oudtshoorn	5 762	7 859	8 936
B	WC047	Plettenberg Bay	3 364	4 378	4 984
B	WC048	Knysna	4 629	6 342	7 206
C	DC4	Eden District Municipality	3 225	2 766	2 148
Total: Eden Municipalities			40 554	52 551	58 574
B	WC051	Laingsburg	2 484	2 408	2 529
B	WC052	Prince Albert	3 025	2 970	3 123
B	WC053	Beaufort West	4 089	5 305	5 951
C	DC5	Central Karoo District Municipality	5 743	5 010	4 655
Total: Central Karoo Municipalities			15 341	15 694	16 258
Total: Western Cape Municipalities			366 373	468 095	525 580
National Total			7 677 546	8 643 341	9 364 941

1. All allocations are for the national financial year

SCHEDULE 4

GENERAL AND NATIONALLY ASSIGNED FUNCTION ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
					R'000	R'000	R'000
Agriculture (Vote 26)	Comprehensive Agriculture Support Programme Grant	To enhance the provision of support services to promote and facilitate agricultural development	Nationally assigned function grant to provinces	Eastern Cape	38 043	47 552	57 061
				Free State	16 870	21 088	25 306
				Gauteng	4 582	5 727	6 873
				KwaZulu-Natal	37 016	46 270	55 524
				Limpopo	33 428	41 786	50 143
				Mpumalanga	18 903	23 629	28 355
				Northern Cape	10 518	13 148	15 777
				North West	26 875	33 594	40 313
				Western Cape	13 765	17 206	20 648
				TOTAL	200 000	250 000	300 000
Health (Vote 16)	(a) National Tertiary Services Grant	To fund tertiary health services	Nationally assigned function grant to provinces	Eastern Cape	272 036	353 022	374 203
				Free State	384 165	432 116	458 043
				Gauteng	1 727 736	1 760 465	1 866 094
				KwaZulu-Natal	619 462	686 637	727 835
				Limpopo	46 878	46 973	49 791
				Mpumalanga	41 427	42 224	44 757
				Northern Cape	42 105	51 747	54 852
				North West	35 109	34 822	36 911
				Western Cape	1 104 087	1 121 380	1 188 663
				TOTAL	4 273 005	4 529 386	4 801 149
	(b) Health Professions Training and Development Grant	To support the training and development of health professionals	Nationally assigned function grant to provinces	Eastern Cape	97 464	127 566	127 566
				Free State	93 643	92 517	92 517
				Gauteng	560 778	554 039	554 039
TOTAL	1 434 132	1 520 180	1 520 180				
National Treasury (Vote 8)	Provincial Infrastructure Grant	To fund the construction and maintenance of provincial infrastructure like roads, school buildings, health facilities and agriculture infrastructure	General conditional grant to provinces	Eastern Cape	609 002	675 330	742 057
				Free State	199 281	220 921	242 678
				Gauteng	332 292	369 777	407 745
				KwaZulu-Natal	706 485	787 803	870 486
				Limpopo	593 328	660 898	729 464
				Mpumalanga	255 169	285 533	316 596
				Northern Cape	159 314	180 529	201 733
				North West	288 366	321 135	354 373
				Western Cape	205 125	228 847	252 987
				TOTAL	3 348 362	3 730 773	4 118 119

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
					R'000	R'000	R'000
Agriculture (Vote 26)	Land Care Programme Grant: Poverty Relief and Infrastructure Development	To address the degradation of natural/agricultural resources and improve the socio-economic status and food security of rural communities	Conditional grant	Eastern Cape	3 500	8 000	8 500
				Free State	2 000	2 000	2 500
				Gauteng	1 600	2 000	2 500
				KwaZulu-Natal	4 000	8 000	8 500
				Limpopo	-	5 000	5 500
				Mpumalanga	5 500	5 500	6 000
				Northern Cape	2 000	2 000	2 500
				North West	5 000	5 000	5 500
				Western Cape	3 500	2 500	3 000
				TOTAL	27 100	40 000	44 500
Education (Vote 15)	(a) Primary School Nutrition Programme Grant	To improve the nutrition status of children, specifically to enhance active learning capacity	Conditional grant	Eastern Cape	177 259	194 288	233 882
				Free State	49 100	53 817	64 784
				Gauteng	75 730	83 006	99 921
				KwaZulu-Natal	181 420	198 849	239 372
				Limpopo	153 125	167 836	202 039
				Mpumalanga	64 079	70 235	84 549
				Northern Cape	22 469	24 628	29 647
				North West	72 401	79 357	95 529
				Western Cape	36 617	40 135	48 313
				TOTAL	832 200	912 151	1 098 036
				(b) HIV and Aids (Life Skills Education) Grant	To promote HIV and Aids and life skills education in primary and secondary schools	Conditional grant	Eastern Cape
Free State	7 715	8 178	8 668				
Gauteng	17 487	18 536	19 648				
KwaZulu-Natal	29 188	30 938	32 795				
Limpopo	19 415	20 580	21 815				
Mpumalanga	9 772	10 358	10 980				
Northern Cape	2 186	2 317	2 456				
North West	10 029	10 631	11 269				
Western Cape	10 543	11 176	11 847				
TOTAL	128 579	136 293	144 471				

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
Health (Vote 16)	(a) Hospital Revitalisation Grant	To transform and modernise infrastructure and equipment in hospitals in line with national policy	Conditional grant	Eastern Cape	R'000 116 354	R'000 121 008	R'000 146 291
				Free State	52 370	54 466	71 060
				Gauteng	155 126	232 870	204 313
				KwaZulu-Natal	178 054	190 292	220 883
				Limpopo	106 463	110 722	141 093
				Mpumalanga	68 292	71 025	92 662
				Northern Cape	57 135	59 421	77 524
				North West	92 845	98 998	110 832
				Western Cape	85 217	88 625	115 626
				TOTAL	911 856	1 027 427	1 180 284
	(b) Comprehensive HIV and Aids Grant	To enable the health sector to develop an effective response to the HIV and Aids epidemic and other matters	Conditional grant	Eastern Cape	98 970	159 005	218 021
				Free State	69 969	100 874	142 265
Gauteng				134 231	185 048	252 695	
KwaZulu-Natal				186 348	251 468	344 304	
Limpopo				77 430	125 899	175 861	
Mpumalanga				53 840	81 392	107 479	
Northern Cape				31 881	48 050	68 603	
North West				70 981	100 921	142 316	
Western Cape				57 962	82 451	115 670	
TOTAL				781 612	1 135 108	1 567 214	
(c) Integrated Nutrition Programme Grant	To implement integrated nutrition activities aimed at improving the nutritional status of all South Africans	Conditional grant	Eastern Cape	23 933	26 316	-	
			Free State	6 636	7 296	-	
			Gauteng	10 307	11 333	-	
			KwaZulu-Natal	24 513	26 954	-	
			Limpopo	20 320	22 344	-	
			Mpumalanga	8 713	9 581	-	
			Northern Cape	3 000	3 299	-	
			North West	9 987	10 981	-	
			Western Cape	4 809	5 288	-	
			TOTAL	112 218	123 392	-	

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
					R'000	R'000	R'000
	(d) Hospital Management and Quality Improvement Grant	To transform hospital management and improve quality of care in line with national policy	Conditional grant	Eastern Cape	19 529	24 531	26 003
				Free State	13 055	13 393	14 197
				Gauteng	20 776	18 510	19 621
				KwaZulu-Natal	20 065	23 778	25 204
				Limpopo	15 388	17 457	18 505
				Mpumalanga	12 833	12 340	13 081
				Northern Cape	10 490	10 083	10 688
				North West	12 713	12 642	13 400
				Western Cape	16 983	17 608	18 664
				TOTAL	141 832	150 342	159 363
Housing (Vote 29)	(a) Housing Subsidy Grant	To finance subsidies under the national housing programme	Conditional grant	Eastern Cape	598 900	569 448	603 615
				Free State	385 641	390 547	413 980
				Gauteng	1 117 463	1 313 528	1 392 340
				KwaZulu-Natal	748 463	783 466	830 474
				Limpopo	369 818	389 598	412 974
				Mpumalanga	296 457	314 620	333 497
				Northern Cape	89 442	78 299	82 997
				North West	421 378	458 406	485 910
				Western Cape	446 035	447 492	474 341
				TOTAL	4 473 597	4 745 404	5 030 128
	(b) Human Settlement Grant and Redevelopment grant	To fund projects aimed at improving the quality of the environment by identifying dysfunctionalities in human settlements	Conditional grant	Eastern Cape	11 660	14 697	15 579
				Free State	9 010	10 079	10 684
				Gauteng	22 260	33 900	35 934
				KwaZulu-Natal	27 560	20 220	21 433
				Limpopo	11 660	10 055	10 658
				Mpumalanga	7 420	8 120	8 607
				Northern Cape	3 180	2 021	2 142
				North West	8 480	11 831	12 541
				Western Cape	14 310	11 549	12 243
				TOTAL	115 540	122 472	129 821

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
					R'000	R'000	R'000
Provincial and Local Government (Vote 5)	(a) Local Government Capacity Building Fund Grant	To assist municipalities to build their institutional capacity and improve their systems for sustainable service delivery	Conditional grant	Eastern Cape	35 184	-	-
				Free State	31 050	-	-
				Gauteng	15 050	-	-
				KwaZulu-Natal	33 050	-	-
				Limpopo	20 100	-	-
				Mpumalanga	22 050	-	-
				Northern Cape	22 675	-	-
				North West	21 250	-	-
				Western Cape	20 050	-	-
				TOTAL	220 459	-	-
Provincial Project Management Capacity for Municipal Infrastructure Grant (MIG)	(b) Provincial Project Management Capacity for Municipal Infrastructure Grant (MIG)	To provide support to manage the implementation of MIG on behalf of the Department to ensure sustainability of MIG projects	Conditional grant	Eastern Cape	9 169	9 770	10 356
				Free State	3 321	3 539	3 751
				Gauteng	5 664	6 035	6 397
				KwaZulu-Natal	8 353	8 900	9 434
				Limpopo	4 198	4 472	4 740
				Mpumalanga	2 238	2 599	2 755
				Northern Cape	1 843	1 963	2 082
				North West	2 439	2 542	2 694
				Western Cape	3 508	3 738	3 962
				TOTAL	40 733	43 558	46 171
Social Development (Vote 19)	(a) HIV and Aids (Community-Based Care) Grant	To provide social welfare services to orphans and vulnerable children who are infected and affected by HIV and Aids	Conditional grant	Eastern Cape	7 089	7 514	7 965
				Free State	9 825	10 415	11 040
				Gauteng	10 315	10 934	11 590
				KwaZulu-Natal	12 773	13 540	14 352
				Limpopo	4 634	4 912	5 207
				Mpumalanga	10 456	11 084	11 749
				Northern Cape	3 930	4 165	4 415
				North West	8 070	8 554	9 067
				Western Cape	3 088	3 273	3 469
				TOTAL	70 180	74 391	78 854

SCHEDULE 5

SPECIFIC PURPOSE ALLOCATIONS TO PROVINCES

Vote	Name of Allocation	Purpose	Type of Allocation	Province	Column A	Column B	
					2004/05 Allocation	Forward Estimates	
						2005/06	2006/07
					R'000	R'000	R'000
	(b) Child Support Extension Grant	To fund extension of child support grant to eligible children between ages 7 to 14 years, phased over three years, and to cover associated administrative and payment costs	Conditional grant	Eastern Cape	902 977	1 706 997	2 296 777
				Free State	240 558	454 754	611 875
				Gauteng	220 490	416 816	560 830
				KwaZulu-Natal	780 247	1 474 988	1 984 607
				Limpopo	573 943	1 084 987	1 459 858
				Mpumalanga	260 013	491 531	661 359
				Northern Cape	65 272	123 392	166 023
				North West	416 186	786 763	1 058 595
				Western Cape	190 314	359 772	484 076
	TOTAL				3 650 000	6 900 000	9 284 000
	(c) Food Emergency Relief Grant	To provide food relief to vulnerable individuals and households	Conditional grant	Eastern Cape	94 133	94 133	99 781
				Free State	37 334	37 334	39 574
				Gauteng	27 904	27 904	29 578
				KwaZulu-Natal	68 185	68 185	72 276
				Limpopo	61 146	61 146	64 815
				Mpumalanga	27 651	27 651	29 310
				Northern Cape	9 998	9 998	10 598
North West				41 615	41 615	44 112	
Western Cape				20 034	20 034	21 236	
TOTAL				388 000	388 000	411 280	
Sport and Recreation South Africa (Vote 20)	Mass Sport and Recreation Participation Programme Grant	To fund the promotion of mass participation within disadvantaged communities in a selected number of sport activities and the empowerment of communities to manage these activities	Conditional grant	Eastern Cape	1 000	2 670	4 340
				Free State	1 000	2 670	4 340
				Gauteng	1 000	2 670	4 340
				KwaZulu-Natal	1 000	2 670	4 340
				Limpopo	1 000	2 670	4 340
				Mpumalanga	1 000	2 670	4 340
				Northern Cape	1 000	2 640	4 280
				North West	1 000	2 670	4 340
				Western Cape	1 000	2 670	4 340
				TOTAL			

SCHEDULE 6

RECURRENT GRANTS TO LOCAL GOVERNMENT

Vote	Name of Allocation	Purpose	Type of Allocation	Column A	Column B	
				2004/05 Allocation	MTEF Outer Years	
					2005/06	2006/07
				R'000	R'000	R'000
Provincial and Local Government (Vote 5)	Municipal Systems Improvement Grant	To assist municipalities in building in-house capacity to perform their functions	Conditional grant	182 243	200 000	200 000
National Treasury (Vote 8)	a) Local Government Financial Management Grant	To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act	Conditional grant	137 000	132 500	136 000
	b) Local Government Restructuring Grant	To support municipal restructuring initiatives of large municipalities	Conditional grant	342 900	350 000	350 000
TOTAL				662 143	682 500	686 000

SCHEDULE 6A

INFRASTRUCTURE GRANTS TO LOCAL GOVERNMENT

Vote	Name of Grant	Purpose	Type of Allocation	Column A	Column B	
				2004/05 Allocation	MTEF Outer Years	
					2005/06	2006/07
				R'000	R'000	R'000
Provincial and Local Government (Vote 5)	Municipal Infrastructure Grant (MIG)	To support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households	Conditional grant	4 401 484	5 140 677	5 927 188
Sport and Recreation (Vote 20)	Building for Sport and Recreation Programme	Promotion of sport and recreation within disadvantaged communities and upgrading of existing sports facilities	Conditional grant	132 270	-	-
Department of Mineral and Energy Affairs (Vote 31)	Integrated National Electrification Programme	To implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address electrification backlogs of permanently occupied residential dwellings	Conditional grant	247 577	258 000	-
TOTAL				4 781 331	5 398 677	5 927 188

SCHEDULE 7

ALLOCATIONS-IN-KIND AND INDIRECT GRANTS TO LOCAL GOVERNMENT

Vote	Name of Grant	Purpose	Type of Allocation	Column A	Column B	
				2004/05 Allocation	MTEF Outer Years	
					2005/06	2006/07
				R'000	R'000	R'000
Provincial and Local Government (Vote 5)	Municipal Infrastructure Grant (MIG)	To support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily for the benefit of poor households	Conditional grant	44 459	51 926	59 871
National Treasury (Vote 8)	Local Government Financial Management Grant	To promote and support reforms to municipal financial management and the implementation of the Municipal Finance Management Act	Conditional grant	60 998	66 240	62 657
Water Affairs (Vote 34)	(a) Water Services Operating Subsidy (Augmentation to the Water Trading Account)	To augment the Water Trading Account (Sub-Programme 4) to subsidise water schemes owned and/ or operated by the department or by other agencies on behalf of the department	Conditional grant	858 334	934 434	990 500
	(b) Implementation of Water Services Projects	To fund bulk, connector and internal infrastructure for water services at a basic level of service and to implement such projects on behalf of municipalities	Conditional grant	160 279	138 679	-
TOTAL				1 124 070	1 191 279	1 113 028

MEMORANDUM ON THE OBJECTS OF THE DIVISION OF REVENUE BILL

1. Section 214(1) of the Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) (“the Constitution”) requires that an Act of Parliament be enacted to provide for the following:
 - 1.1 The equitable division of revenue raised nationally among the national, provincial and local spheres of government;
 - 1.2 The determination of each province’s equitable share of the provincial share of that revenue; and
 - 1.3 Any other allocations to provinces, local government or municipalities from the national government’s share of that revenue, and any conditions on which those allocations may be made.
2. Section 10 of the Intergovernmental Fiscal Relations Act, 1997 (Act No 97 of 1997) (“the Act”) requires that, as part of the process of the enactment of the Act of Parliament referred to in paragraph 1, each year when the annual budget is introduced, the Minister of Finance (“the Minister”) must introduce in the National Assembly, a Division of Revenue Bill (“the Bill”) for the financial year to which that budget relates.
3. The Act requires that the Bill be accompanied by a memorandum explaining—
 - 3.1 How the Bill takes account of each of the matters listed in section 214(2)(a) to (j) of the Constitution;
 - 3.2 The extent to which account was taken of any recommendations of the Financial and Fiscal Commission (“the FFC”) submitted to the Minister or as a result of consultations with the FFC; and
 - 3.3 Any assumptions or formulae used in arriving at the respective shares of the three spheres of government and the division of the provincial share between the nine provinces.
4. The Bill is introduced in compliance with the requirements of the Constitution and the Act.
5. The memorandum referred to in paragraph 3 above will be attached as “Annexure E” in the Budget Review which will be made available on Budget Day.
6. The allocations contemplated in section 214(1) of the Constitution are set out in 7 Schedules to the Bill, namely—
 - 6.1 Schedule 1 which sets out the respective shares of anticipated revenue raised nationally in respect of the national, provincial and local spheres of government;
 - 6.2 Schedule 2 which sets out the respective shares of each province;
 - 6.3 Schedule 3 which deals with respective shares of each municipality;
 - 6.4 Schedule 4 which sets out allocations for general and nationally-assigned functions;
 - 6.5 Schedule 5 which sets out specific-grant allocations to provinces only;
 - 6.6 Schedule 6 which sets out allocations to municipalities only; and
 - 6.7 Schedule 7 contains indirect and special allocations to municipalities.
7. The following is a brief summary of the Bill: *Section 1* contains the relevant definitions;
Section 2 sets out the object of this Bill, which is essentially the promotion of co-operative governance in intergovernmental budgeting;
Section 3 provides for the equitable division of anticipated revenue raised nationally among the national, provincial and local spheres of government in Schedule 1;
Section 4 provides for each province’s equitable share, which is set out in Schedule 2, and for a payment schedule in terms of which such shares must be transferred;
Section 5 provides for local government’s equitable share of revenue and the determination of each municipality’s share of that revenue;
Section 6 determines what must happen if actual revenue raised falls short of anticipated revenue for the financial year;
Section 7 provides for other allocations to provinces and municipalities from the national government’s equitable share, set out in Schedules 3, 4, 5 and 6 to the Bill;

Section 8 provides for transfers to public and private entities that render a municipal service on behalf of a municipality;

Section 9 provides for the process of dealing with allocations to provinces and municipalities, which are not set out in the Schedules to the Bill;

Section 10 provides that a provincial government must submit information in respect of the infrastructure allocation for construction, maintenance and rehabilitation;

Sections 11 and 13 provide for municipal infrastructure and capacity building grants;

Section 12 provides for a process for transferring assets to municipalities;

Sections 14 to 20 set out the responsibilities of accounting officers, provincial treasuries, the National Treasury and the Auditor-General, and also sets out the composition of annual financial statements of national departments, provincial departments and municipalities;

Section 21 provides a framework for the delay in payment of allocations in the event of non-compliance with conditions or underspending;

Section 22 provides for the steps, which must be taken and the factors, which must be considered before an allocation, may be withheld from a province or municipality;

Section 23 allows for reallocations between municipalities and in the case of provinces, reallocation between provinces only in respect of the HIV and AIDS grant and only for this financial year;

Section 24 requires that an allocation set out in Schedule 3, 4, 5, 6, or 7 only be utilised for its purpose and subject to its conditions;

Section 25 provides for the correction of any allocation in error;

Section 26 provides that an allocation to a municipality with weak administrative capacity must be transferred to a district or stronger municipality within a district for its benefit;

Section 27 allows for funds to follow functions or obligations and requires that no financial obligation may be imposed on a municipality without its concurrence;

Section 28 provides for the amendment of a payment schedule by the national transferring officer and the National Treasury in certain circumstances;

Section 29 enables the National Treasury to exempt an accounting officer from reporting requirements and other responsibilities;

Section 30 provides that non-compliance with this Act constitutes financial misconduct;

Section 31 provides for responsibility for costs incurred for litigation in violation of the principles of co-operative governance and intergovernmental relations;

Section 32 provides that any act performed prior to the commencement of this Act and in fulfillment of the objects of this Act will be deemed as having been done in terms of this Act and a process for transferring assets to municipalities;

Section 33 provides that the Minister may make regulations regarding any matter which may or must be prescribed or which is necessary for effective implementation of this Bill;

Section 34 makes provision to repeal the Division of Revenue Act, 2003 (Act No. 7 of 2003);

Section 35 provides for reporting on rollovers from past conditional grants and approval by the Minister to deal with roll-overs from past infrastructure grants which may lead to underspending in the 2003/04 financial year, by allowing any surplus to fund existing infrastructure budgets in a province; and

Section 36 sets out the short title and commencement of this Bill.

8. PARLIAMENTARY PROCEDURE

The Bill must be dealt with in accordance with the procedure set out in section 76(1) of the Constitution as it provides for legislation required in Chapter 13 of the Constitution, and affects the financial interests of the provincial sphere as contemplated in section 76(4)(b) of the Constitution.

DIVISION OF REVENUE ATTACHMENTS

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