Friday, 20 November 2026]

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ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

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(a) Petition from the Concerned Citizens of the Western Cape, calling on the National Assembly to investigate allegations of exclusive employment of foreign nationals on certain identified farms in the Western Cape province.

Referred to the **Executive Undertakings and Petitions Committee** for consideration and report.

COMMITTEE REPORTS

National Assembly and National Council of Provinces

1. REPORT OF THE JOINT STANDING COMMITTEE ON DEFENCE ON THE PRESIDENTIAL LETTER OF EMPLOYMENT OF THE SOUTH AFRICAN NATIONAL DEFENCE FORCE IN COOPERATION WITH THE SOUTH AFRICAN POLICE SERVICE, DATED 20 NOVEMBER 2026.

1. INTRODUCTION

In terms of Joint Rule 156(1) of Parliament's Joint Rules (7th Edition), the Joint Standing Committee on Defence (JSCD) shall report to both Houses on the employment of the South African National Defence Force (SANDF) by the President of the Republic in fulfilment of an international obligation, in defence of the Republic or in cooperation with the South African Police Service (SAPS).

2. LETTER FOR CONSIDERATION

A letter from the President, dated 9 November 2026, was submitted to the Speaker of the National Assembly and the Chairperson of the NCOP and tabled in Parliament on 12 November 2026. The letter complies with the requirements of Section 201(3) of the Constitution (Act 109 of 1996) as well as Section 18(2)(e) of the Defence Act (No 42 of 2002) by informing Parliament of the following:

a. The employment of the SANDF is in support of the SAPS.
b. The employment comprises 3 151 members of the SANDF.
a. The employment is aimed at assisting the SAPS to maintain law during the local government elections
b. The duration of the employment is from 01 November 2026 to 7 November 2026.
c. The expected expenditure of the employment is R15 000 000.

3. CONSIDERATION OF EMPLOYMENT LETTER

Parliament's JSCD considered the letter of employment during its meeting of 20 November 2026. During the engagements, the Committee made the following comments regarding the employment:

- The Committee noted the employment letter.
- Committee again noted that the late submission of the letter even after the deployment has concluded. The letter therefore arrived after the fact and Members questioned the normalisation of the late submission of letters.
- The Committee noted the need for clarity on whether soldiers were effectively trained for the specific deployment under Operation Prosper.
- The Committee agreed to follow up on the letter written to the Presiding Officers of Parliament regarding the late submission of the letter and request feedback on their intervention and engagement with the Office of the President.
- The Committee requested the co-Chairpersons to directly engage the Presiding Officers of Parliament regarding the late submission of the letters with the intention to prevent the ongoing late submissions of letters of employment to Parliament and subsequent referral to the Committee.

4. RECOMMENDATIONS

In compliance with Joint Rule 156(1) and after having considered the details of the SANDF employment according to the Presidential letter dated 9 November 2026, the Committee notes the employment and does not recommend the Houses of Parliament consider the amendment, substitution or termination of thereof.

Report to be noted.

National Assembly

1. INTERIM BUDGETARY REVIEW AND RECOMMENDATION REPORT OF THE PORTFOLIO COMMITTEE ON LAND REFORM AND RURAL DEVELOPMENT ON THE PERFORMANCE OF THE DEPARTMENT OF LAND REFORM AND RURAL DEVELOPMENT AND ITS ENTITIES FOR THE 2025/26 FINANCIAL YEAR, DATED 18 NOVEMBER 2026

The Portfolio Committee on Land Reform and Rural Development (the Committee), having considered the service delivery and financial performance information of the Department of Land Reform and Rural Development (DLRRD), the Commission on Restitution of Land Rights (CRLR), the Office of the Valuer-General (OVG), the Ingonyama Trust Board (ITB), the Agricultural Land Holdings Account (ALHA) and the Deeds Registration Trading Account (DRTA), reports as follows.

1. Introduction

This report is prepared in terms of Section 5 of the Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009). The Act requires portfolio committees to annually assess service delivery performance of government departments, evaluate the effective and efficient use of resources, and make recommendations to guide future appropriations.

On 13 November 2026, the Portfolio Committee on Land Reform and Rural Development considered the provisional annual performance information (provisional reports) of the DLRRD and that of the CRLR. It also considered the 2025/26 annual reports of the OVG and of the ITB, and other relevant financial and governance information as observed during oversight activities in the 2026/27 financial year. The Committee deliberated on the observations and recommendations and ultimately adopted this report on 18 November 2026.

The Committee noted that the reports of the DLRRD and the CRLR had not yet been audited and formally tabled in Parliament as of 18 November 2026. Consequently, the information considered by the Committee remains provisional pending the completion of the audit process by the Auditor-General of South Africa (the Auditor-General). Therefore, this report is an interim one; the Committee intends to table a supplementary report once the annual reports, audited financial statements and final audit outcomes of the Department of Land Reform and Rural Development are tabled in Parliament by the Minister of Land Reform and Rural Development.

1.1. Mandate of the Portfolio Committee on Land Reform and Rural Development

The Committee derives its mandate from Sections 55 and 56 of the Constitution of the Republic of South Africa and the Rules of the National Assembly. In terms of this mandate, the Committee is empowered to exercise oversight over the DLRRD (interchangeably referred to as the Department in this report) and its entities. Specifically, the Committee considers, amends and/or initiates legislation that is specific to, or has an impact on, land reform and rural development; considers and reviews the annual budget and expenditure plans of the DLRRD and its public entities; scrutinises international treaties and agreements falling within its functional area of responsibility; and facilitates public participation and engagement, ensuring that the views and experiences of affected communities are heard.

1.2. Purpose of the Budgetary Review and Recommendation Report

The Money Bills Amendment Procedure and Related Matters Act (2009) establishes the process by which the National Assembly, acting through its portfolio committees, assesses the performance of national departments and makes recommendations to the Minister of Finance regarding amendments to departmental budgets.

The BRRR must –

- Provide an assessment of the Department's service delivery performance given available resources;

- Assess the effectiveness and efficiency with which the Department has utilised its allocated resources, including reflections on forward allocation of resources; and include, where applicable, recommendations on the forward use of resources.

The BRRR also serves as an essential source document for the Standing and Select Committees on Appropriations/Finance. These Committees may use the BRRRs to formulate recommendations to the Houses of Parliament on budget processes.

1.3. Preparation for this Budget Review and Recommendations Report

In preparation for this BRRR, the Committee undertook the following activities -

- Briefings by the DLRRD and entities on their quarterly performance and expenditure reports for the 2025/26 financial year.
- Undertook oversight visits to Limpopo and Northern Cape in 2025/26 in November 2025 and February 2026, respectively.
- Held briefings and considered the Annual Performance Plans (APP) and Budget of the Department and its entities for the 2026/27 financial year.
- On 13 November 2026, the DLRRD, OVG, CRLR, and ITB appeared before the Committee to present reports and financial information.
- On 18 November 2026, the Committee then deliberated on this interim BRRR that draws from briefings and reports that the Committee has produced during the 2026/27 financial year.

1.4. Outline of the contents of this report

Following this introduction, the report briefly discusses the constitutional and policy context for land reform, especially in relation to the national Government Priority Outcomes. It further presents analysis of the DLRRDD's and public entities' financial and non-financial/service delivery performance. The report concludes with the Committee's key conclusions and recommendations to the National Assembly.

2. Constitutional and Policy Context

Land redistribution, land restitution and tenure reform are constitutional obligations arising principally from Section 25 of the Constitution of the Republic of South Africa. They remain central to the democratic project of addressing historical dispossession, racial inequality in land ownership, spatial exclusion of the majority and rural poverty.

The Committee therefore assessed performance not only against annual targets and expenditure trends, but also against the extent to which the portfolio contributed towards:

- equitable access to land;
- restoration of land rights;
- tenure security;
- rural livelihoods;
- land administration;
- economic participation; and
- transformation of ownership patterns within the agricultural sector.

The Committee expressed concern that the overall performance trends for the year under review pointed to a widening gap between policy commitments and implementation outcomes, particularly in the three constitutional pillars of land reform: redistribution, restitution and tenure reform. This thought is discussed in detail under a section concerning non-financial performance of the DLRRD.

2.1 National Development and Medium-Term Development Policy Framework

The mandate of the DLRRD is located within South Africa's broader constitutional and developmental agenda. Central to this agenda is the National Development Plan (NDP) 2030, which identifies land reform and rural development as key instruments for achieving inclusive economic growth, reducing poverty and inequality, and creating sustainable livelihoods. The NDP envisions an inclusive and integrated rural economy in which communities in remote and historically marginalised areas participate meaningfully in economic, social, and political life. It further recognises land reform as a catalyst for agricultural growth, job creation, food security, and economic transformation. To achieve these objectives, the NDP advocates for the accelerated transfer of land to historically disadvantaged South Africans, strengthened support

to emerging farmers, expanded agricultural production, improved rural infrastructure, and enhanced access to social and economic services.

The NDP has subsequently been translated into the 2024-2029 Medium-Term Development Plan (MTDP), which serves as the government's principal five-year implementation framework. The MTDP is structured around three strategic priorities; that is, inclusive economic growth and job creation; reducing poverty and addressing the high cost of living; and building a capable, ethical and developmental state.

In the assessment of the performance of the Department, the Committee considered performance of the Department, assessing progress against the 2025 State of the Nation Address commitments; namely, driving economic growth and employment creation; expanding infrastructure investment to support economic development and service delivery; transforming patterns of ownership and addressing historical land deprivation; accelerating title deed delivery and strengthening property rights; and promoting greater economic inclusion for historically disadvantaged communities.

2.2 Legislative and Policy Reform Environment

The 2025/26 financial year was a period of significant legislative reform in the land and rural development sector. The Department had identified several legislative initiatives intended to modernise and strengthen the legal framework governing land administration, tenure reform, rural development, spatial planning, and geospatial information management.
Key legislation scheduled for development over the medium term includes the Land Survey Amendment Bill; Equitable Access to Land Bill; Communal Land Bill; Rural Development Bill; and Integrated Geospatial Information Bill. In addition, amendments are proposed to existing legislation, including the Planning Profession Act (Act 36 of 2002); Spatial Data Infrastructure Act (Act 54 of 2003); and Spatial Planning and Land Use Management Act (Act 16 of 2013).

At a policy level, the DLRRD intended to finalise the Communal Land Tenure Policy and the Rural Development Policy, both of which were expected to provide important strategic direction for future legislative and programme interventions. However, the Committee remains

concerned that many of these policy and legislative initiatives have not been finalised, and the trend shows that they may not be finalised during the term of the 7th Parliament.

3. Mandate of the Department of Land Reform and Rural Development

The DLRRD provides equitable access to land, promotes integrated rural development, facilitates land restitution and redistribution, provides secure land tenure, maintains an effective land administration system, and supports orderly spatial planning and development. It executes its mandate through four programmes: administration; land administration; land reform and restitution; and rural development. It also oversees several public entities, namely, the OVG, the ITB and the CRLR. In addition, the portfolio encompasses two trading entities: the Agricultural Land Holdings Account (ALHA) and the Deeds Registration Trading Account (DRTA).

4. Overview of the performance of the Department of Land Reform and Rural Development

4.1 Financial performance

Table 1 below shows that the overall expenditure performance of the DLRRD is 75.1 per cent of the final appropriation, resulting in under-expenditure of R2.603 billion. While the DLRRD was able to spend all of its Administration Programme budget and achieved relatively strong expenditure performance in the Land Administration Programme, the lowest expenditure rates were recorded in the programmes responsible for delivering the core mandate of the DLRRD, namely Land Reform and Restitution Programme and Rural Development. The Committee was concerned about the capabilities of the DLRRD to translate appropriated resources into meaningful land reform and socio-economic outcomes.

Table 1: Programme Expenditure

Programme	Final Budget	Actual Expenditure	Spending Rate
Administration	R2.686 billion	R2.685 billion	100%
Land Administration	R720.5 million	R635.4 million	88.2%

Land Reform and Restitution	R6.479 billion	R4.145 billion	64.0%
Rural Development	R582.7 million	R399.4 million	68.5%
Total	**R10.468 billion**	**R7.865 billion**	**75.1%**

The Committee noted that the DLRRD received a final appropriation of R10.468 billion and spent R7.865 billion, resulting in under-expenditure of R2.603 billion or 24.9 per cent of the final budget. The overall expenditure performance therefore amounted to only 75.1 per cent. The Committee observed that more than R2.28 billion in transfers and subsidies intended primarily for land reform and restitution beneficiaries remained unspent at the end of the financial year.

The Committee expressed serious concern regarding the significant under-expenditure within Programme 3: Land Reform and Restitution, where R2.333 billion remained unspent, and Programme 4: Rural Development, where R183.3 million remained unspent. The two programmes are the core of the Department. The Committee further notes that transfers and subsidies were underspent by more than R2.28 billion, largely attributable to delays in restitution payments to beneficiaries. Given that this programme is the principal vehicle through which government advances land redistribution and restitution, the Committee considered this level of under-expenditure to be a significant risk to the achievement of constitutional obligations relating to land reform and redress. Further, having more than R2.28 billion in transfers and subsidies remaining unspent, largely due to delays in restitution payments was not acceptable to the Committee. The Committee was particularly concerned because it directly affected beneficiaries awaiting compensation, land restoration and other restitution benefits. In the Committee's view, the failure to disburse funds already appropriated by Parliament delays constitutional redress and undermines public confidence in the restitution programme.

The Committee acknowledged the operational challenges cited by the Department, including weaknesses in the bulk payment system, delays in beneficiary verification and tracing, valuation bottlenecks and implementation delays. However, the Committee observed that many of these challenges have been raised repeatedly during previous oversight engagements, suggesting persistent implementation and management shortcomings rather than isolated operational difficulties.

The Committee also noted that the under-expenditure in Programme 4: Rural Development corresponded with weak programme performance, including the failure to meet employment creation and infrastructure delivery targets. This reinforced the Committee's view that expenditure performance and service delivery outcomes are closely linked and that under-expenditure is symptomatic of broader implementation weaknesses within the Department.

Overall, the Committee concluded that the Department's financial performance was unsatisfactory. The concentration of under-expenditure in land reform, restitution and rural development programmes indicates that the Department remains more successful in sustaining administrative functions than in implementing programmes intended to advance redistribution, restitution, rural livelihoods and agrarian transformation. The Committee is therefore concerned that public resources appropriated for land reform continue to fall short of producing the intended outcomes for beneficiaries and communities.

4.2 Non-financial ferformance

The Department of Land Reform and Rural Development, as shown in Table 2, achieved 65 per cent of its annual performance targets during the 2025/26 financial year, representing the lowest level of performance over the previous five-year period. Of the 23 annual targets planned, only 15 were achieved, while eight were not achieved. Although the Department performed well in technical functions such as land administration, performance in the programmes core to the mandate remained unsatisfactory, and the Administration programme achieved only 25 per cent of its targets. This pattern reinforces concerns raised by the Committee during previous oversight engagements in 2025/26 that technical efficiency has not translated into the desired improvements in land reform outcomes. Failure to table the Annual Performance Report on time is also indicative of the level of performance in the Department.

Table 2: Programme Performance

Programme	Achievement Rate
Administration	25%
Land Administration	89%
Land Reform and Restitution	60%

Rural Development	60%
Overall Departmental Performance	65%

Overall, the Land Administration Programme was the best-performing programme, achieving 89 per cent of its targets. However, the programmes responsible for implementing land reform and rural development, the core of the mandate for the DLRRD, achieved only 60 per cent of planned targets. More concerningly, the Administration programme achieved only 25 per cent of its targets, indicating weaknesses in the institutional support systems required to drive implementation across the Department.

4.2.1 Programme 1: Administration

The 25 per cent performance rate is exceptionally low; this is particularly significant because this programme provides the governance, strategic management, organisational development, financial management and institutional support functions that enable the Department to deliver on its mandate. Throughout 2025/26, the Committee's analyses have consistently identified challenges relating to organisational restructuring (and development of fit-for-purpose structure) which has been pending since the previous administration, vacancies in the senior management positions (leadership), weak internal controls as identified by the Auditor-General, risk management and delayed institutional reforms. As can be seen in the failure to submit the Annual Financial Statements to the Auditor-General on time, poor performance within the Administration has consequences beyond the programme itself. Weaknesses in institutional capacity ultimately affect implementation throughout the portfolio, e.g. vacancies in strategic positions such as the Chief Land Claims Commissioner and the Deputy Chief Land Claims Commissioner, the Chief Financial Officer, the Valuer-General and the Chief Operating Officer in the OVG.

The Department failed to achieve its target of obtaining an unqualified audit opinion due to weaknesses in controls and compliance monitoring. Also, the organisational redesign process was not completed as planned. Capacity shortages continue to affect performance across critical support functions. For example, the position of the CFO is vacant and annual financial statements were submitted late, and the AGSA audit process remained incomplete at the time of reporting. The Committee concluded that the continued delays in organisational redesign,

instability arising from the unbundling of the former Department of Agriculture, Land Reform and Rural Development, and capacity constraints in key positions appear to have weakened the Department's ability to effectively coordinate and implement programmes. Nonetheless, the appointment of the Director-General in 2026 was a welcome development.

4.2.2 Programme 2: Land Administration

The Committee welcomed the strong performance of the Land Administration programme, which achieved 89 per cent of its targets. The programme continued to perform relatively well in functions such as deeds registration, cadastral surveys, geospatial information services and land information management. These functions remain critical to maintaining legal certainty in respect of land rights and property transactions and contribute to the efficient functioning of the broader land administration system.

The Committee welcomed strong performance in land administration services, including:

- 95 per cent achievement in deeds availability within seven days;
- improved cadastral processing turnaround times;
- enhanced geospatial services;
- achievement of all NGMS targets.

However, delays in deeds delivery occurred due to occupational health and safety issues and network infrastructure shortcomings.

4.2.3 Programme 3: Land Reform and Restitution

This programme encompasses the restitution programme, which is implemented by the Commission on Restitution of Land Rights. The Committee expressed deep concerns regarding the performance of the Land Reform and Restitution programme. As stated above, the programme drives the core of the mandate for this Department. This programme achieved only 60 per cent of its planned targets. It is worrisome that the programme that sits at the centre of government's constitutional obligations relating to equitable access to land and restitution of land rights performs so poorly. Other oversight findings as seen throughout the year demonstrate a concern by the Committee concerning this trend. The programme has suffered

land acquisition delays, valuation constraints, beneficiary verification challenges, weak project support systems and difficulties in finalising and implementing restitution claims.

In terms of delivery, the programme failed to meet key indicators relating to redistribution and restitution.

- A total of 35 539 hectares were allocated against a target of 44 000 hectares
- A total of 239 land claims were settled against a target of 281. *(The details on restitution are reported under the section dealing with the Commission on Restitution of Land Rights as an entity).*

The Committee noted with concern that failure to include targets on labour tenants and ESTA cases means that performance on these programmes remains outside the reporting. Similarly, the annual assessment does not factor in the expenditure on tenure reform, yet it is a constitutional imperative under Section 25(6) of the Constitution. Oversight reports of the Committee shows challenges in relation to funding litigation for Labour Tenant cases. This is vitally important because there is a court order on this matter.

The Committee recorded a need for monitoring the impact of the interventions for the Department, i.e. value for money and whether funds appropriated by Parliament are improving the lives of the people. Current reporting and performance framework emphasise administrative outputs rather than outcomes. For example, indicators measure the number of claims processed or hectares transferred, yet limited information regarding progress in the changes in land ownership patterns; productive use of redistributed land; sustainability of farming enterprises; and beneficiary livelihoods is provided.

The recent Committee Report on the Farmworkers Equity Schemes shows what happens when there is limited information on what happens after land reform. Therefore, land reform should be measured against the socio-economic change it will bring. To sum up, the performance of the Land Reform and Restitution programme remains inadequate when assessed against the broader constitutional objectives of redistribution, restitution and agrarian transformation.

4.2.4 Programme 4: Rural Development

This programme achieved only 60 per cent of its annual targets as shown in Table 2 above. The programme underperformed on key indicators associated with job creation and infrastructure delivery, achieving only 227 jobs against a target of 450 and completing 31 infrastructure projects against a target of 33. Whilst these indicators are important, the Committee was concerned about measuring the rural development outcomes in so far as the NARYSEC impact and the sustainability of jobs are concerned.

The challenges in rural development are weaknesses in procurement, project management and contractor performance, which continue to affect implementation. Similar concerns have emerged during oversight visits to rural development projects where delays in infrastructure completion, inadequate maintenance arrangements and limited local economic spin-offs have been identified as recurring challenges.

To sum up, the Department's non-financial performance reflects a deeper structural challenge within the portfolio where the Department continues to perform relatively well in regulatory, administrative and technical functions, yet struggles to deliver on programmes intended to transform patterns of land ownership, restore land rights, strengthen tenure security and stimulate rural economic development.

5. Entities

5.1 Commission on Restitution of Land Rights

The Committee’s assessment focused on the Commission's ability to translate appropriated resources into meaningful restitution outcomes, restore land rights to dispossessed communities, and contribute to the transformation objectives envisaged in section 25(7) of the Constitution. What the report of the Commission shows is that most straightforward claims have been settled in cash, while the remaining claims tend to be larger, more complex, highly contested, and significantly more expensive to resolve. The remaining claims are more complex and require intricate historical research. They involve competing claimant groups, they require extensive verification processes, involve valuation disputes, and increasing litigation risks.

The Committee further recognises the impact of the Constitutional Court judgment in the matter of *Land Access Movement of South Africa*, which requires completion of outstanding old-order claims lodged before 31 December 1998 before the processing of claims lodged during the 2014 reopening period can proceed. This places substantial pressure on the Commission to accelerate the settlement and finalisation of historical claims while ensuring that administrative and legal processes withstand judicial scrutiny. Similarly, those that lodged their land claims in 2014 have been waiting for a long time.

5.1.1 Programme performance

As stated above, the Commission settled 239 land claims against an annual target of 281 claims, representing 85 per cent of its target. In terms of the targets, this is significant, but given backlogs and commitments, the performance is underwhelming. The Commission attributes the shortfall to challenges including difficulties in tracing beneficiaries, disagreements among claimant communities, valuation delays, and persistent staff shortages.

Conversely, the Commission exceeded its target for claim finalisation, achieving 310 finalised claims against a target of 277 claims. However, a detailed review of the report suggests that this apparent overachievement was substantially influenced by the administrative closure of historical commitments, the declaration of funds for projects such as Sophiatown/Martindale and Tweerivier, and the clearing of long-standing commitment registers. The finalisation figures create an impression of accelerated restitution. However, the pace of actual settlement and restoration outcomes experienced by beneficiaries is extremely slow.

What the report shows is an administrative finalisation which shows improved statistical performance, but it does not necessarily translate into restored land rights, transfer of land ownership, improved livelihoods, or sustainable development for claimant communities.

5.1.2 Financial performance and budget utilisation

During the financial year, the Commission had approximately R4.189 billion yet spent only R1.935 billion, representing an expenditure rate of approximately 46.2 per cent. Consequently, approximately R2.254 billion remained unspent.

This level of under-expenditure is particularly concerning given the substantial backlog of unresolved restitution claims, the advanced age of many claimants, and Parliament's longstanding concerns regarding delays in the restitution process. This does not represent merely a financial management issue, but rather a substantive service delivery concern with constitutional implications. In essence, every year in which funds remain unspent prolongs the waiting period for victims of forced removals to receive justice, restitution and redress.

Of great concern was the expenditure relating to transfers and subsidies. Of the approximately R3.012 billion allocated for transfers to households and beneficiaries, only about R766 million was spent. This is disastrous for restitution as it affects funding for restitution awards, land acquisition, and direct beneficiary interventions.

The Committee has in the past motivated for more funds for restitution; however, this performance is a cause for concern because it may indicate weaknesses in the ability of the Commission to spend effectively. For the year under review, restitution delivery has been constrained by operational and institutional bottlenecks rather than by funding limitations alone. Some of those are delays in valuations, protracted negotiations, unresolved beneficiary disputes, organisational capacity constraints, and dependency on external stakeholders.

5.1.3 Institutional capacity and organisational reform

The Commission indicates that it operates with approximately 658 filled positions against a significantly larger approved establishment. The shortage of researchers/investigators, project officers, and other technical personnel affects the institution's ability to process claims efficiently. This has been a recurrent issue during the 2025/26 financial year oversight engagements with the Commission.

The longstanding initiatives for institutional reform known as Project Kuyasa have not resulted in the establishment of a clear, sustainable organisational model. The Commission continues to function within an ambiguous institutional arrangement whereby it exists simultaneously as a statutory commission and as a programme administered through the Department. This duality creates uncertainty regarding accountability, governance responsibilities and operational authority. The Committee expressed concerns about the current operating model that subjects

an autonomous statutory body to programmes of the Department as it undermines the legislation as well as organisational effectiveness.

5.1.4 Implications for the future of restitution

The Committee is of the view that the future trajectory of restitution presents significant strategic risks.

- The remaining claims are likely to become progressively more costly to settle because they frequently involve larger land parcels, complex ownership structures, competing interests and escalating market valuations.
- The continued under-expenditure observed during the reporting period raises concerns regarding the Commission's ability to meet constitutional obligations within a reasonable timeframe. If it cannot effectively utilise available resources, there is a risk that claim backlogs will persist
- The eventual processing of claims lodged during the reopening period will require substantial administrative capacity, legal certainty and financial resources. Given the current backlog of old-order claims and existing implementation challenges, the Committee is concerned that the state may not yet be adequately positioned to manage a significantly expanded restitution caseload.
- An increasing proportion of restitution beneficiaries are opting for financial compensation. This has a significant impact on the restorative intention of the legislation, thus undermining the transformation of the skewed patterns of land ownership.

5.2 Office of the Valuer-General

The OVG occupies a strategic position within the land reform value chain because its valuation services are integral to the implementation of restitution, redistribution, tenure reform and state land acquisition programmes. The programme of land reform is therefore inextricably linked to the quality, credibility and timeliness of valuations undertaken by the OVG. Notwithstanding some structural and operational challenges confronting the OVG, the period under review was

characterised by improved governance outcomes, stronger financial management, increased demand for valuation services and improvements in overall organisational performance.

5.2.1 Service delivery performance (non-financial)

Overall performance increased from 67 per cent in 2024/25 to 89 per cent in 2025/26, reflecting improvements across most performance indicators. Importantly, the institution maintained a 100 per cent completion rate for valuation requests despite receiving the highest number of referrals in its history.

Three-year performance trend of the OVG

Performance Indicator	2023/24	2024/25	2025/26
Overall organisational performance	63%	67%	89%
Land reform valuation referrals	809	955	1 037
Valuation requests completed	100%	100%	100%
Average valuation turnaround time	48 days	33 days	45 days

The Committee commended the OVG for successfully completing all valuation requests received during the period under review and maintaining turnaround times within targeted limits, issuing valuation certificates within an average of 45 working days against a target of 50 working days. This performance is significant given the complexity of land reform transactions and the growing number of referrals from restitution and redistribution programmes.

The Committee expressed concerns regarding valuation processes that are cited among the factors affecting delays in land reform transactions. While the OVG cannot be solely responsible for these delays, the Committee believes that further reductions in turnaround times and increased collaboration with implementing entities could contribute to improving overall land reform delivery.

5.2.2 Financial Performance and Expenditure Trends

The expenditure for the OVG increased significantly from R108.3 million in 2024/25 to R144.0 million in 2025/26, while the overall allocation increased modestly from R142.8 million to R149.2 million. As a result, the annual surplus decreased from R39.6 million to R13.3 million, indicating improved utilisation of allocated resources.

Table 1: Budget and Expenditure Trends

Financial Indicator	2024/25	2025/26
Budget Allocation	R142.8 million	R149.2 million
Total Expenditure	R108.3 million	R144.0 million
Annual Surplus	R39.6 million	R13.3 million
Cash and Cash Equivalents	R11.6 million	R64.1 million

The Committee welcomes the improvement in spending performance, particularly as previous years were characterised by significant underspending. However, the substantial increase in cash reserves and the accumulation of an unspent surplus warrant continued monitoring. The Committee observes that spending trends increasingly reflect investment in institutional strengthening and organisational development. Employee-related expenditure remained the largest cost driver and increased significantly during the reporting period. Expenditure on consulting, professional services and legal services also increased substantially.

Table 2: Key Expenditure Movements

Expenditure Category	2024/25	2025/26
Employee Costs	R70.0 million	R86.9 million
Consulting & Professional Services	R5.0 million	R12.6 million
Legal Services	R117 000	R4.3 million
Training and Development	R6.2 million	R7.1 million

The Committee notes that employee costs account for approximately 60 per cent of total expenditure. While this is understandable given the highly specialised and skills-intensive nature of valuation work, the Committee resolved to monitor whether increased personnel expenditure translates into measurable productivity gains, reduced turnaround times and improved service delivery.

Of particular concern is the substantial increase in expenditure on professional consultants and legal services. Although management attributes these costs to organisational development initiatives, litigation matters and specialist support requirements, the Committee expressed concerns over the sustained reliance on external expertise which may indicate capacity constraints within the institution.

5.2.3 Governance and Audit Outcomes

The Committee notes with satisfaction that the OVG achieved an unqualified audit outcome with no findings, commonly referred to as a clean audit. The Auditor-General reported no material findings relating to performance information, compliance with legislation or internal controls. The achievement of a clean audit reflects significant progress in governance, risk management and financial administration.

Notwithstanding these achievements, the Committee notes a number of matters requiring continued oversight. These include unresolved irregular expenditure amounting to approximately R2.1 million, fruitless and wasteful expenditure under investigation, litigation-related risks and prior-year adjustments to financial statements. While none of these matters impacted the audit outcome, they nonetheless point to areas where management vigilance remains necessary.

5.2.4 Human Resource Capacity and Leadership Stability

The Committee noted that the OVG continued to retain scarce and critical skills, achieving a retention rate of 93 per cent against a target of 70 per cent. In a sector characterised by limited availability of professional valuers and technical specialists, this achievement contributes significantly to institutional stability. However, the Committee is concerned by the persistence of senior management vacancies. The positions of Valuer-General and Chief Operating Officer remained vacant for substantial periods, while several key executive functions continued to be performed in an acting capacity. The Committee notes that seven of the eight approved senior management positions were vacant during the reporting period. The prolonged acting appointments create governance risks and may undermine strategic continuity, accountability and organisational effectiveness. The Committee therefore requested the Minister to urgently prioritise filling critical leadership positions.

5.3 Ingonyama Trust Board

The Committee found that the Ingonyama Trust Board, together with the Ingonyama Trust, demonstrated notable improvements in governance, beneficiary support and service delivery during 2025/26. They increased distributions to communities to the highest level in its history, improved revenue collection, exceeded several performance targets and improved audit outcomes. However, significant concerns remain regarding debt recovery, the continued audit qualification of the Trust, unresolved governance matters relating to Ingonyama Holdings (Pty) Ltd, funding sustainability, and weaknesses in core land administration functions.

5.3.1 Performance Against Strategic Objectives

Table 1: Key Performance Outcomes

Indicator	Target	Actual
Beneficiary disbursement turnaround	14 days	9 days
Lease income collection	90%	124%
Traditional Councils capacitated	50	71
Students supported	50	318
Tenure rights approved within 90 days	100%	95%
Leases signed within 30 days	100%	83%

The ITB achieved strong overall performance, particularly in administration, beneficiary support and community development.

Key strengths included:

- Improved service delivery to beneficiaries.
- Significant support to Traditional Councils.
- Expansion of educational assistance programmes.
- Strong performance in lease revenue collection.
- Approval of a revised organisational structure.

However, the Committee expressed concerns with regard to the ITB's underperformance on two of its most important core mandate indicators: (i) tenure rights administration and (ii) lease processing and execution. These are the most material indicators relating to the institution's mandate.

5.3.2 Financial Performance

Table 2: Trust Financial Trends

Indicator	2024/25	2025/26
Revenue	R151.4m	R119.8m
Expenditure	R54.4m	R74.3m
Surplus before beneficiary distributions	R97.1m	R45.4m
Impairment losses	R16.3m	R23.7m
Distributions to beneficiaries	R48.5m	R61.3m

The Committee notes that the Trust remains financially strong, with assets exceeding R2 billion and liquid resources of approximately R285 million. However, earnings quality deteriorated significantly during the year. The Committee welcomes the fact that beneficiary disbursements increased by 26.4%, reaching a record R61.3 million. This represents a stronger alignment between Trust resources and community benefits. However, the Committee noted that revenue declined by 20.9%; expenditure increased by 36.8%; and surpluses reduced by more than half. Whilst the Committee expressed appreciation of an increase in beneficiary disbursement, this increase was inevitable. Therefore, sustainability of future beneficiary distributions ought to be explored.

5.3.3 Oversight concern: debtors and revenue collection

Table 3: Debtor Position

Indicator	Amount
Gross Debtors	R246.5m
Debtors older than 120 days	R237.2m
Impairment Provision	R201.1m

Percentage impaired	81.6%
Current-year impairment charge	R23.7m

The Committee identified debt recovery as the most significant operational challenge confronting the institution. Although the institution exceeded its lease collection targets and improved collection periods from 245 days to 182 days, Parliament remains deeply concerned that:

- 96% of debtors are older than 120 days;
- More than R200 million has effectively been impaired;
- Approximately one-fifth of annual revenue was written off through impairment.

This means that substantial revenue generated from Trust land is not being converted into resources available for beneficiary communities. The Committee therefore regards debtor management as a strategic risk to the Trust's developmental mandate.

5.3.4 Benefit Flows to Communities

Table 4: Beneficiary Disbursement Trends

Indicator	2024/25	2025/26
Total disbursements	R48.5m	R61.3m
Provision held for beneficiaries	R216.6m	R200.8m

The Committee notes positively that the institution distributed more resources to beneficiary communities than in any previous year. The Committee views the reduction in the accumulated provision positively because the purpose of the provision is ultimately to benefit communities rather than accumulate indefinitely. Nevertheless, Parliament remains concerned that more than R200 million remains undistributed to communities despite substantial development needs across Trust land.

5.3.5 Audit Outcomes and Governance

Table 5: Audit Results

Entity	Audit Outcome
Ingonyama Trust Board	Unqualified with findings

Ingonyama Trust	Qualified

The ITB and Trust produced different audit outcomes. The Committee noted that there were no material findings on performance information. In addition, the ITB resolved previous performance reporting weaknesses; improved governance controls and has reduced irregular expenditure. However, the areas of concern included that the Trust continues to receive a qualified audit opinion due to failure to consolidate Ingonyama Holdings (Pty) Ltd; inability to obtain company records; outstanding governance disputes; and an ongoing investigation into a R41 million loan to Ingonyama Holdings.

5.3.6 Irregular and Fruitless Expenditure

The Committee notes encouraging improvements in compliance performance. While irregular expenditure has reduced significantly, Parliament remains concerned that consequence management investigations remain unresolved; audit findings relating to disciplinary processes persist; and similar findings continue to reappear across audit cycles.

Funding Sustainability

Table 7: Board Funding Sources

Source	2024/25	2025/26
DLRRD Grant	R21.9m	R22.8m
Trust Contribution (FR10(2))	R7.5m	R9.3m

The Committee noted concern regarding the inadequacy of government funding, which increased by only 4.5% whereas contributions from Trust income increased by 23.9%. A growing share of administrative costs is therefore being funded from resources that would otherwise benefit communities. The Committee noted that there has been engagement between the National Treasury and ITB. What was outstanding was for the Department to work alongside the ITB in order to resolve the question of funding, which, if successful, will free some of the resources for disbursement or material benefit of communities.

5.3.7 Governance, Capacity and Internal Controls

While progress has been made in filling management positions, Parliament notes continuing capacity constraints. Key concerns include:

- The term of the Deputy Chairperson is ending early next year, leaving a gap in an already weakened Board
- Persistent vacancies in key positions;
- Acting appointments in strategic functions;
- High reliance on a small number of personnel;
- ICT disruptions affecting lease processing; and
- Weaknesses in governance, legal management and risk management identified through internal audit reviews.

5.4 Trading Accounts

5.4.1 Agricultural Land Holdings Account

The Agricultural Land Holdings Account (ALHA) was established in terms of the Provision of Land and Assistance Act, 1993 (Act No. 126 of 1993). It is responsible for the acquisition of strategically located land for agricultural productivity under the Proactive Land Acquisition Strategy (PLAS).

ALHA can be seen as an important instrument for advancing land redistribution, land acquisition and state custodianship of agricultural land.

The Committee notes that ALHA remains one of the most asset-rich entities within the portfolio, with total assets increasing from R16.597 billion in 2024/25 to R16.910 billion in 2025/26. Net assets similarly increased from R15.941 billion to R16.197 billion, while cash reserves increased substantially from R805.7 million to R1.049 billion.

Table 1: ALHA Financial Position

Indicator	2024/25	2025/26
Total Assets	R16.597 bn	R16.910 bn
Total Liabilities	R655.7 m	R713.5 m

Net Assets	R15.941 bn	R16.197 bn
Cash and Cash Equivalents	R805.7 m	R1.049 bn
Property, Plant and Equipment	R14.779 bn	R14.616 bn

The Committee notes that the balance sheet remains overwhelmingly dominated by land and property assets. While this is consistent with ALHA's mandate, it raises an important parliamentary question about the use of state-owned land assets. The Committee requires information about the proportion of land currently allocated to beneficiaries; land held for future redistribution; land under active production; land lying fallow; land under lease agreements; and the developmental returns being generated from state-owned land. This information could assist to provide extensive information on asset values and, more importantly, the developmental performance of those assets. Much more focused oversight over ALHA is necessary.

5.4.2 Revenue and Expenditure Trends

The Committee notes that total revenue increased from R1.154 billion to R1.353 billion, primarily due to increased grant funding from the Department and growth in lease revenue. Total expenditure increased significantly from R747.7 million to R1.098 billion, while the annual surplus decreased from R406.6 million to R255.8 million. The Committee is concerned that despite the substantial size of ALHA's asset base, internally generated revenue remains relatively modest. Lease income amounted to only R118.6 million, highlighting the need to improve utilisation of state-owned agricultural land and strengthen revenue collection mechanisms.

5.4.3 Lease Revenue and State Land Management

Table 4: Lease Revenue Trends

Revenue Source	2024/25	2025/26
Rental Income	R98.4 m	R118.6 m
Interest on Lease Receivables	R50.1 m	R52.9 m
Trade Receivables (Non-Exchange)	R737.0 m	R894.6 m

While growth in lease income is welcomed, the Committee notes with concern the continued growth in lease receivables, which increased substantially to approximately R894.6 million. This suggests that a significant proportion of lease income remains uncollected. From a parliamentary oversight perspective, the Committee believes that lease management, debt collection and contract administration remain areas requiring closer attention. The continued accumulation of lease receivables could undermine the long-term financial sustainability of the Account and reduce resources available for future land reform interventions.

5.4.4 Irregular and Fruitless Expenditure

Table 5: PFMA Compliance Matters

Item	2024/25	2025/26
Irregular Expenditure	R483.7 m	R1.041 bn
Fruitless and Wasteful Expenditure	R261.3 m	R261.5 m

While ALHA achieved an unqualified audit opinion, the Committee is concerned by the scale of irregular and fruitless expenditure carried within the entity. Particularly concerning is the increase in the irregular expenditure balance to more than R1 billion, following the confirmation of an additional R556.8 million during the reporting period.

The Committee notes management's explanation that these matters are at various stages of investigation, recovery, forensic enquiry and consequence management. Nevertheless, Parliament remains concerned by the age of some unresolved cases; the scale of exposure; the slow pace of finalisation; and ongoing investigations without visible consequence management outcomes. The Committee expects accelerated finalisation of investigations and clear reporting on recoveries, disciplinary action and criminal referrals.

5.5 Deeds Registration Trading Entity

The Deeds Office is central to securing property rights, supporting land reform transactions, enabling investment in the property market and maintaining the integrity of the national deeds registration system. It is also a significant source of non-tax revenue for the state through registration fees and the sale of property information.

The Committee notes that the DRTA remains financially healthy, cash-generative and self-sustaining. Revenue growth was strong during the year under review, supported by increased deeds registrations and demand for property information services. The entity recorded a substantial increase in surplus and net assets while maintaining relatively stable expenditure levels.

However, a number of strategic concerns emerge from the report, including increasing receivables, ICT-related challenges affecting billing systems, vacancy rates affecting organisational capacity, and the pace of digital modernisation through the electronic Deeds Registration System (e-DRS). These issues have important implications not only for the sustainability of the DRTA itself but also for the broader effectiveness of South Africa's land administration and land reform system.

5.5.1 Financial Performance

The Committee noted positively that the Deeds Registration Trading Entity generated revenue of R1.285 billion; recorded a surplus of R285.5 million; strengthened cash reserves; improved revenue collection; and continued implementation of the electronic Deeds Registration System.

Table 1: Key Financial Performance Indicators

Indicator	2024/25	2025/26	Change
Total Revenue	R1.052 billion	R1.285 billion	+22%
Total Expenditure	R1.000 billion	R1.002 billion	Stable
Annual Surplus	R51.7 million	R285.5 million	+452%
Cash and Cash Equivalents	R543.6 million	R669.7 million	+23%
Net Assets	R582.9 million	R864.7 million	+48%

The Committee notes a strong improvement in financial performance during 2025/26. The Committee welcomes the substantial increase in revenue and surplus generation. Revenue increased by approximately R236 million, largely driven by increased registration activity and growing demand for deeds information services. Expenditure increased only marginally, enabling the entity to realise a significantly larger surplus than in the previous year.

From an oversight perspective, the Deeds Office continues to demonstrate the characteristics of a financially sustainable public entity. Unlike several institutions within the portfolio which remain dependent on transfers, the DRTA derives the overwhelming majority of its income from service-related activities.

5.5.2 Revenue Trends and Sustainability

Table 2: Revenue Composition

Revenue Source	2024/25	2025/26
Registration of deeds and sale of information	R904.3 million	R1.094 billion
Interest received	R35.6 million	R35.7 million
Government grants	R20.0 million	R49.6 million
Total Revenue	R1.052 billion	R1.285 billion

The Committee notes that exchange revenue remains the primary revenue source for the entity. Registration fees and property information services generated approximately 85 per cent of total revenue. This demonstrates the continued importance of the property market as a driver of Deeds Office sustainability.

The Committee further notes that government grant revenue more than doubled during the reporting period due to expenditure incurred in relation to the electronic Deeds Registration System (e-DRS). This reflects continued investment in digital modernisation. While these trends are positive, Parliament should remain aware that revenue performance remains linked to broader economic conditions, property market activity and transaction volumes. A sustained slowdown in property transactions would likely affect revenue generation capacity.

5.5.3 Digital Transformation and the e-DRS Programme

The Committee views digital transformation as the most important strategic issue confronting the DRTA. The Committee welcomes progress towards electronic registration but remains concerned that implementation has been slow over several years. The e-DRS is expected to

reduce turnaround times; improve accessibility; strengthen fraud prevention; improve records management; and support digital government objectives.

The Committee notes stable expenditure despite increased activity levels. The expenditure profile suggests prudent financial management and expenditure discipline. However, Parliament should monitor increasing dependence on ICT investment; external system providers; and technology maintenance contracts. The long-term sustainability of digital transformation initiatives will depend on effective procurement management and project governance.

The Committee observed that:

- The Deeds Registration Trading Entity remains financially sustainable and continues to generate significant surpluses for reinvestment in service delivery.
- Revenue growth demonstrates continued demand for deeds registration and property information services.
- The substantial increase in receivables highlights weaknesses in billing systems and ICT integration that require urgent attention.
- Persistent vacancies may affect institutional capacity and undermine service delivery over time.
- Progress in the e-DRS programme is encouraging but the Committee requires greater visibility regarding implementation milestones, expenditure and expected benefits.
- The Deeds Office remains a critical enabler of land reform and broader economic activity and should therefore be prioritised as part of the Department's modernisation agenda.

6. Key Conclusions

Overall, the Committee concludes that the principal challenge facing the land reform and rural development portfolio is no longer the availability of funding alone, but the capacity of institutions to convert appropriated resources into measurable land reform outcomes. While additional resources are indeed required for restitution, tenure reform and post-settlement support, the Committee is concerned that substantial under-expenditure, weak project

implementation, escalating debtors, governance deficiencies and inadequate developmental reporting continue to undermine the effectiveness of current allocations.

6.1 *Whilst budget constraints affected the pace of land reform, institutional implementation capacity also contributed to the failure to spend appropriated funds.* In the restitution programme, approximately R2.254 billion remained unspent, including more than R2.2 billion earmarked for beneficiary transfers, despite persistent backlogs in restitution claims and unmet settlement targets. The Committee attributes this to limited institutional capacity, notably limitations in the bulk payment system. Similarly, land redistribution targets under Programme 3 were not achieved despite significant resources available through the ALHA. Some of these weaknesses were linked to vacancies, especially at senior management level, which constrained the ability to drive delivery.

6.2 *The Fiscal Model for land restitution is becoming unsustainable because of the backlogs, all the new order claims that have not been processed yet, pending finalisation of old order claims, and institutional reform.* The remaining restitution claims are significantly more complex and costly; land prices continue to escalate; valuation disputes are increasing; unresolved old-order claims remain substantial. If this is not addressed, there is a risk for future restitution liabilities exceeding current medium-term funding assumptions.

6.3 *ALHA requires a comprehensive financial and developmental review.* The trading account holds assets exceeding R16.9 billion, yet there is limited information regarding productive use of state-acquired land; performance of beneficiary enterprises; and return on public investment; land occupancy and utilisation rates. At least these matters must be reflected in the Annual Report. The committee is further concerned by losses on disposal of land increasing to R570.7 million; lease receivables approaching R895 million; and irregular expenditure exceeding R1 billion. Lease collection as well as transfers of state land has been very slow.

6.4 *Funding for post-settlement support remains inadequate:* Whilst the launch of Integrated Land Reform and Rural Development Support Programme (ILRRDSP) is a welcome development and a step in the right direction, across restitution, redistribution and communal tenure systems, evidence suggests that funding remains heavily weighted

towards land acquisition and transfer, while insufficient resources are directed towards post-settlement support, agricultural development and beneficiary sustainability. The Committee remains concerned that land transfer continues to be measured as an output without sufficient attention to productivity; income generation; employment creation; and sustainability of beneficiary enterprises. The ILRRDSP would require substantial investment on its own right, rather than reprioritising funds from land acquisition programmes, which diminishes the pace of land redistribution.

6.5 *Revenue collection across the portfolio requires significant attention.* Several entities within the portfolio exhibit deteriorating debtor positions; for example, ALHA lease receivables were approximately R894.6 million and ITB debtors of R246.5 million with impairment of R201.1 million. The Committee is concerned that weak revenue collection is undermining financial sustainability and reducing resources available for service delivery.

6.6 *Critical ICT modernisation projects require dedicated funding.* The implementation of the electronic Deeds Registration System (e-DRS) is extremely slow owing to technology and creating capacity for e-DRS within the Deeds. OVG has also been undertaking major ERP and enterprise architecture reforms; and several institutions identified ICT limitations as contributors to operational inefficiencies. The delays in digital modernisation continue to affect billing systems, valuation administration, records management and transaction processing.

6.7 *Structural funding challenges at the Ingonyama Trust Board require urgent resolution.* An increasing reliance by the Ingonyama Trust Board on revenue generated from Trust assets to fund administrative operations is worrisome. It effectively diverts resources that might otherwise be available for beneficiary communities to run the operations of the ITB.

7. Recommendations

The Committee makes the following recommendations to the National Assembly (NA) for the attention of the responsible Executive Authorities, as indicated below:

7.1 **The Minister of Finance** should consider undertaking a comprehensive review of the funding architecture of land reform institutions to ensure that future appropriations are aligned with developmental impact and constitutional obligations.

7.2 **The Minister of Finance,** in consultation with the Minister of Land Reform and Rural Development together with the DLRRD, should consider reviewing the structure of land reform appropriations and providing additional allocation to fund capacity gaps in restitution, CPA support, Tenure reform, especially the Labour Tenants and ESTA workers. Some of the critical court cases that have financial implications are:

- Mwelase v Minister of Rural Development and Land Reform (settlement of labour tenant claims), and
- Lamosa judgment (settlement of pre-1998 land claims before processing the new ones lodged in 2014).

Further, consider ring-fencing funding for projects that have completed planning and conveyancing processes; and requiring implementation recovery plans where expenditure falls below agreed thresholds.

7.3 **Minister of Finance** should consider creating a dedicated conditional allocation or funding framework for ILRRDSP, with emphasis on post-settlement support, linked to measurable developmental outcomes and integrated with agricultural support programmes.

7.4 **The Minister of Finance**, working with **the Minister of Land Reform and Rural Development,** should consider multi-year funding certainty for major ICT modernisation projects (e-DRS, OVG, etc). Further, National Treasury should support implementation monitoring of projects exceeding predetermined expenditure thresholds.

7.5 **The Minister of Land Reform,** in conjunction with **National Treasury,** should undertake a medium-term fiscal assessment of the restitution programme, including projected costs of remaining old-order claims; likely liabilities arising from future reopening of land claims; and future funding requirements associated with Constitutional

Court obligations as well as establishment of a fully autonomous Commission on Restitution of Land Rights as envisaged in the Restitution of Land Rights Act.

7.6 **The Minister of Land Reform**, in consultation with **National Treasury,** should commission a comprehensive review of the financial model of ALHA and report to Parliament on the economic performance of state-held agricultural land; debt collection mechanisms; the sustainability of the lease model; valuation methodologies applied to land transfers; and the fiscal implications of losses recorded during redistribution transactions.

7.7 **The Minister of Land Reform** should ensure that the Department develops and implements clear performance indicators and measurable targets for tenure reform to fulfil its constitutional obligations under Section 25(6), particularly for labour tenants' claims and farm dwellers' tenure security.

7.8 **The Minister of Land Reform and Rural Development** should require all entities within the portfolio to implement strengthened debt management and recovery strategies and report annually to Parliament on age analysis of debt; collection rates; debt impairments; and litigation associated with debt collection.

7.9 **The Minister of Land Reform and Rural Development** should expedite the finalisation of legislation on equitable access to land and communal land tenure. These are long overdue pieces of legislation. Ensure that communal land tenure takes into consideration the living customary law and practices of communities living in communal areas of South Africa

7.10 **The Minister of Land Reform and Rural Development** should engage the DLRRD and the Board to review the long-term funding model of the Trust and determine whether the administrative costs of the Board should be funded more appropriately through voted funds rather than through beneficiary-derived revenue. Further approach the Minister of Finance and National Treasury concerning the funding model.

Supplementary Report will be tabled after the Tabling of the Annual Report and Audit Outcomes by the Minister of Land Reform and Rural Development.

Report to be considered.

2. REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON THE DIVISION OF REVENUE AMENDMENT BILL [B29 – 2026], DATED 20 NOVEMBER 2026

The Standing Committee on Appropriations having considered the *Division of Revenue Amendment Bill [B29 - 2026]* (National Assembly – section 76), reports as follows**:**

1. Introduction

The Minister of Finance tabled the Division of Revenue Amendment Bill (hereafter referred to as the Bill) in Parliament on 21 October 2026 during the presentation of the 2026 Medium-Term Budget Policy Statement (MTBPS). The Bill was tabled in Parliament in terms of section 12(4) of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendments Procedure and Related Matters Amendment Act, No 13 of 2018). The Act requires the Minister of Finance to table a Division of Revenue Amendment Bill with a revised fiscal framework if the adjustments budget effects changes to the Division of Revenue Act for the relevant year. There are amendments to the 2026 budget that effects the Division of Revenue Act, 2026 (Act No. 9 of 2026) which will be effected through the Division of Revenue Amendment Act, 2026, once enacted. These amendments impact on provinces and municipalities.

The National Assembly referred the Bill to the Committee on 17 November 2026, for consideration and report. The Committee received a briefing from National Treasury on the Bill in its entirety on 28 October 2026. The Financial and Fiscal Commission, Parliamentary Budget Office and the South African Local Government Association were also invited by the Committee to comment on the Bill. To facilitate public participation, the Committee published adverts in Parliament media platforms in all 11 official languages on 5 November 2026. Advertisements were also made on local, regional and national print and online media platforms from 06 November 2026 to 12 November 2026, in all 11 official languages. The following stakeholders made submissions at the public hearing that was held via the Zoom Virtual Meeting Platform 13 November 2026:

- Congress of South African Trade Unions (COSATU);
- Pan-African Institute for Fiscal and Policy Studies (PA-IFS);
- South African Human Rights Commission (SAHRC);
- Van Wyk Political & Governance Intelligence (VPGI); and
- Councillor Nongelo Chiume, City of Ekurhuleni, in conjunction with representatives of the royal families in Ekurhuleni.

Furthermore, Ms Rachel Smith made a written submission on the Bill.

The Bill and its annexures address the following:

- Changes to schedules;
- Changes to clauses;
- Changes to provincial allocations;
- Changes to local government allocations; and
- Changes to gazetted conditional grant frameworks and allocations.

This report focuses on the proposed amendments to the Division of Revenue Act, 2026 (Act No. 9 of 2026) as tabled by the Minister of Finance and the matters raised during the Committee's engagements with the invited stakeholders and the organisations that made submissions in response to the advertisements.

2. Summary of changes in the 2026 Division of Revenue Amendment Bill

An adjustments budget provides for unforeseen and unavoidable expenditure; appropriation of monies already announced during the tabling of the annual budget (but not allocated at that stage); the shifting of funds between and within votes where a function is transferred; the utilisation of savings; and the roll-over of unspent funds from the preceding financial year. The purpose of the Bill is to amend the Division of Revenue Act, 2026, in accordance with the Money Bills and Related Matters Act, 2009; and to provide for matters connected therewith.

3. Equitable division of revenue raised nationally among the three spheres of government

Table 1: Schedule 1: Equitable division of revenue raised nationally among the three spheres of government

Spheres of government	Column A		
	2026/27 Main Allocations	Adjustment	2026/27 Adjusted Allocation
	R'000	R'000	R'000
National[1, 2]	1 602 840 029	48 119 346	1 650 959 375
Provincial	670 322 736	6 380 170	676 702 906
Local	110 090 001	-	110 090 001
Total	**2 383 252 766**	**54 499 516**	**2 437 752 282**

1. *National share includes conditional allocations to provincial and local spheres, general fuel levy sharing with metropolitan municipalities, debt-service costs, the contingency reserve and provisional allocations*
2. *The direct charges for the provincial equitable share are netted out*

Source: National Treasury (2026 Division of Revenue Amendment Bill)

4. Changes to provincial government allocations

4.1. Additional funding for the provincial equitable share

A proposed amount of R6.4 billion is added to the provincial equitable share to fund the phased implementation of the Early Retirement Programme. To ensure fiscal efficiency and target specific headcount reductions without distorting the baseline distribution, the additional funds are allocated to provinces as targeted add-on based strictly on the approved programme applications ***(Schedule 2 of the Bill)***.

4.2. Additional funding to provincial conditional grants

A proposed amount of R1.5 billion is added to provincial grants to fund the reconstruction and rehabilitation of provincial infrastructure damaged by rainfall, flooding, thunderstorms, and strong winds that occurred in eight of the provinces between December 2025 and June 2026. This proposed allocation is distributed as follows:

- An amount of R343 million is added to the *Education Infrastructure Grant* ***(Schedule 4, Part A of the Bill)****;*
- An amount of R275 million is added to the *Health Facility Revitalisation Grant* ***(Schedule 5, Part A of the Bill)***;
- An amount of R600 million is added to the *Provincial Roads Maintenance Grant* ***(Schedule 4, Part A of the Bill);*** and
- An amount of R242 million is added to the *Comprehensive Agricultural Support Programme Grant* ***(Schedule 5, Part A of the Bill)***.

4.3. Budget Facility for Infrastructure (BFI) rescheduling

A proposed amount of R735 million within the ring-fenced BFI allocation in the *Education Infrastructure Grant* for the Western Cape is shifted to the 2027 MTEF. This rescheduling will focus on the initial registered schools and project scope to align funding with schools construction timelines and cashflow requirements ***(Schedule 4, Part A of the Bill)***.

4.4. Roll-over

A proposed amount of R160 million is rolled-over in health facility revitalisation component of the *National Health Insurance Indirect Grant* as follows ***(Schedule 6, Part A of the Bill)***:

- An amount of R17 million for the refurbishment of the Christiana Hospital building; and
- An amount of R143 million for Smart Revitalisation for the Bambisana Hospital

5. Changes to local government allocations

5.1. Reinstatement of the Municipal Disaster Recovery Grant

A proposed amount of R3.5 billion is allocated for the reconstruction and rehabilitation of damaged municipal infrastructure. This is to cover for the disasters that occurred across the country between December 2025 and June 2026, requiring the re-instatement of the *Municipal Disaster Recovery Grant* ***(Schedule 5, Part B of the Bill)***.

5.2. Correction to urban development financing grant

Proposed corrections are made in allocations from the metro trading services component of the *Urban Development Financing Grant* to fully reflect the non-incentive portion and the planning stage gates as outlined in the Programme Operation Manual of the grant. This affects the in-year allocations of all eight metropolitan municipalities, while the baseline of the grant remains unchanged ***(Schedule 4, Part B of the Bill)***.

5.3. Rescheduling of Budget Facility for Infrastructure (BFI) allocations

- A proposed amount of R1.2 billion from the allocation of the City of Johannesburg in the *Urban Settlement Development Grant* is shifted to the 2027 MTEF to align to the revised implementation plan and cash flow projections for the Lufhereng Mixed Used Development project funded through the BFI ***(Schedule 4, Part B of the Bill)***.
- A proposed amount of R575 million from the City of Johannesburg BFI allocation within the *Urban Development Financing Grant* is shifted to the 2027 MTEF to align with the revised implementation plan and cash flow projections for the Alternative Waste Treatment Technology project. After taking account of the metro trading services allocation correction described above, the City of Johannesburg's net grant allocation decreases by a proposed amount of R482 million ***(Schedule 4, Part B of the Bill)***.

5.4. Roll over in the municipal infrastructure grant

A proposed amount of R36 million is rolled over in the indirect *Municipal Infrastructure Grant* for the completion of several water infrastructure projects ***(Schedule 6, Part B)***.

6. Changes to gazetted frameworks and allocations

Section 15(4) of the Division of the Division of Revenue Act, 2026, requires National Treasury to consult Parliament on any proposed changes to a conditional grant framework for the purposes of correcting an error or omission, as envisaged as envisaged in section 15(2) of the Division of Revenue Act, 2026. Parliament is requested to consider and approve inclusion of the conditions below in the relevant grant frameworks:

- *Education Infrastructure Grant*: "the following proposed amounts per province must be used in 2026/27 for the repair of education infrastructure damaged by the disasters that occurred between December 2025 and June 2026 and declared in respective provincial gazettes, and as verified by the National Disaster Management Centre (NDMC):
    - Eastern Cape: R50 million;
    - KwaZulu-Natal: R148 million;
    - Limpopo: R65 million;
    - Northern Cape: R45 million; and
    - Western Cape: R35 million".

- *Health Facility Revitalisation Grant*: "the following proposed amounts per province must be used in 2026/27 financial year for the repair of health infrastructure damaged by the disasters that occurred between December 2025 and June 2026 and declared in respective provincial gazettes, and as verified by the National Disaster Management Centre (NDMC):
    - Limpopo: R100 million;
    - Mpumalanga: R25 million;
    - North West: R70 million; and
    - Western Cape: R80 million".

- *Provincial Roads Maintenance Grant*: "in addition to the funding ring-fenced for disasters classified in June 2025, the following proposed amounts per province

must be used in 2026/27 financial year for the repair of provincial roads infrastructure damaged by the disasters that occurred between December 2025 and June 2026 and declared in respective provincial gazettes, and as verified by the National Disaster Management Centre (NDMC):

- Eastern Cape: R65 million;
- Limpopo: R250 million;
- Mpumalanga: R115 million;
- Northern Cape: R105 million; and
- Western Cape: R65 million".

- *Comprehensive Agricultural Support Grant*: "the following proposed amounts per province must be used in 2026/27 financial year for the repair of agriculture infrastructure damaged by the disasters that occurred between December 2025 and June 2026 and declared in respective provincial gazettes, and as verified by the National Disaster Management Centre (NDMC):
  - Mpumalanga: R105 million;
  - Northern Cape: R77 million; and
  - Western Cape: R60 million".

- *Education Infrastructure Grant*: "the following proposed amended amount is allocated through the BFI for the construction of schools in Western Cape. These funds may only be used for this project and are subject to the conditions set out in the 2026 MTEF preliminary allocation letter to DBE:
  - Western Cape: R515 million".

- The 2026/27 financial year baseline for the *NHI Indirect Grant*, both the overall grant and the *health facility revitalisation component* have been updated to reflect the proposed roll-over amount of R159.6 million

- The 2026/27 financial year baseline for the *Municipal Infrastructure Grant* is updated to reflect the roll-over of R36 million

- The conditions related to 2026/27 financial year BFI allocations that were ring-fenced for the City of Johannesburg are omitted in the frameworks of the *Urban*

Settlements Development Grant and *Urban Development Financing Grant*; with the baselines over the MTEF amended to align with the rescheduling of these funds.

- Parliament is requested to consider and approve the inclusion of the framework for the *Municipal Disaster Recovery Grant*, which sets out requirements and conditions for the transfer of funds for the recovery of municipal infrastructure damaged by floods between December 2025 and June 2026.

7. Comments and hearings on the Bill with identified stakeholders

The section below provides an overview of the comments that were made on the Bill by the invited stakeholders.

7.1. Financial and Fiscal Commission

Regarding the Division of Revenue (Provinces), the Financial and Fiscal Commission (FFC) submitted that provinces are mainly responsible for social services, which do not generate significant own revenue, and are therefore dependent on fiscal transfers. The FFC submitted that total allocation to provinces increases by 0.9 per cent, from R810.5 billion in the main budget to R817.6 billion in the revised budget. The provincial equitable share (PES) is adjusted from R670.3 billion to R676.7 billion, representing an upward revision of 1 per cent, while conditional grants increase by 0.5 per cent, from R140.2 billion to R140.9 billion.

Regarding the PES, the FFC submitted that the upward adjustment of R6.4 billion is primarily to offset rising cost pressures in the health and education sectors arising from the implementation of the early retirement and voluntary exit programmes. The equitable shares of the Free State and the Eastern Cape provinces are adjusted by 3.3 per cent and 1.9 per cent respectively.

The FFC submitted that the additional conditional grant funding is mainly for the reconstruction and rehabilitation of provincial infrastructure damaged by natural disasters that occurred between December 2025 and June 2026, with the following significant adjustments to provincial conditional grants:

- *The Comprehensive Agricultural Support Programme Grant* increases by 10.5 per cent in total, with increases of 38.4 per cent for Mpumalanga, 33.9 per cent for the Northern Cape and 32.1 per cent for the Western Cape provinces, respectively.
- The *Health Facility Revitalisation Grant* increases by 3.6 per cent in total, with increases of 15.2 per cent for Limpopo, 9.6 per cent for North West, 7.1 per cent for the Western Cape and 5 per cent for Mpumalanga provinces, respectively.
- The *Provincial Roads Maintenance Grant* increases by 3.3 per cent in total, with increases of 9.3 per cent for Limpopo, 7.4 per cent for Mpumalanga, 7 per cent for the Northern Cape, 3.6 per cent for the Western Cape and 2.5 per cent for the Eastern Cape provinces, respectively.
- The *Education Infrastructure Grant* decreases by 2.4 per cent in total. Allocations to the Northern Cape, KwaZulu-Natal, Limpopo and the Eastern Cape are adjusted upwards, while the allocation to the Western Cape is reduced significantly, with the BFI funding rescheduled to the 2027 MTEF.

The FFC supported the ring-fencing of funds in the grant frameworks for the repair and reconstruction of provincial infrastructure damaged by floods and strong winds, as this will improve the effectiveness of the grants' purposes. The FFC supported the proposed additional disaster funding but expressed the view that repairs and maintenance should focus on upgrading infrastructure to ensure more infrastructure resilience to future natural disasters.

The FFC supported the roll-over of funds in the *National Health Insurance Indirect Grant* to ensure that projects are completed. However, the FFC expressed concern about the grant's underperformance and maintained its view that indirect conditional grants should be utilised as a last resort. The FFC also supported government's intention to consider how incentive grant allocations can be tied to performance and delivery capacity, as this is in line with its recommendation to encourage and reward good implementation performance.

Regarding the Division of Revenue (Local Government), the FFC submitted that the 2026 MTBPS signals a shift from routine oversight towards active interventions to improve municipal financial management, accountability and service delivery. The FFC noted that equitable share transfers were withheld from 69 municipalities in June 2026 due to persistent failures to meet financial obligations and that, by 31 July 2026, 38 municipalities had concluded formal repayment plans, with R4.2 billion paid towards creditor debt.

The FFC submitted that adjusted local government funding increases by 1 per cent, from R182.3 billion to R184.1 billion in 2026/27. The local government equitable share remains unchanged at R110.1 billion and the general fuel levy sharing with metropolitan municipalities remains at R17.5 billion, while conditional grants increase by 3.3 per cent, from R54.7 billion to R56.5 billion. The FFC submitted that weak financial management and limited institutional capacity constrain effective grant utilisation, and that spending conditional grant allocations does not necessarily translate into completed infrastructure projects and improved services.

Regarding significant adjustments to local government conditional grants, the FFC submitted that:

- *Municipal Disaster Recovery Grant*: approximately R3.5 billion is provided for municipal infrastructure damaged between December 2025 and June 2026. KwaZulu-Natal (29.5 per cent), Limpopo (17.6 per cent) and the Eastern Cape (15.9 per cent) provinces respectively, accounting for approximately 63 per cent of the allocation. The FFC further submitted that approximately 90 per cent of the adjustment goes to Category B municipalities, many of which face financial management and technical capacity constraints. The FFC expressed concern that weak municipal capacity may delay reconstruction and undermine the long-term value of public investment and submitted that the effectiveness of the funding should be assessed by completed repairs, restored services and improved infrastructure resilience.
- *Urban Settlements Development Grant*: the grant declines from R4.1 billion to R2.9 billion, a reduction of R1.15 billion (28.3 per cent). The City of Johannesburg accounts for the entire reduction, with its allocation falling by approximately 71 per cent, from R1.6 billion to R479.2 million. The FFC submitted that the scale of the reduction warrants scrutiny, given the grant's role in integrated urban development, bulk

infrastructure and access to basic services, and that the implications for approved projects and delivery targets should be clearly explained.

- *Urban Development Financing Grant*: the grant decreases from R9 billion to approximately R8.5 billion, a net reduction of R575 million (6.4 per cent). The City of Johannesburg records the largest reduction (R482 million), followed by Ekurhuleni (R172 million), Nelson Mandela Bay (R159 million) and Mangaung (R22 million), partly offset by increases for the City of Cape Town, eThekwini, the City of Tshwane and Buffalo City. The FFC submitted that the adjustments should be considered alongside efforts to strengthen trading services, improve revenue collection, cost-reflective and affordable tariffs and reinvest in infrastructure maintenance.

Regarding the 2026 Division of Revenue Amendment Bill for Local Government, the FFC made the following recommendations:

The Commission raised its concern that the 2026 MTBPS gives insufficient attention to the sustainability of the local government fiscal framework, particularly the need for a differentiated approach that accounts for municipalities' varying fiscal positions and institutional capacities. This concern is compounded by rising bulk-service costs, the need to balance tariff affordability with cost recovery, and municipalities' limited capacity to expand and maintain service reticulation infrastructure within their assigned fiscal powers and functions. According to the FFC, these structural constraints are weakening municipal finances and heightening the risk of entrenched insolvency, contributing to deteriorating service delivery. The central challenge is therefore not only to improve the system, but also to stabilise and recover municipalities whose financial positions have deteriorated beyond what existing support and intervention measures were designed to address.

i. The Commission recommends that National Treasury and relevant transferring departments (e.g. Human Settlements and Cooperative Governance and Traditional Affairs) strengthen monitoring of conditional grants, focusing on infrastructure delivery, capacity readiness of municipalities to absorb the function, project completion and maintenance outcomes rather than expenditure alone.
ii. The Commission recommends the prioritisation of resilient infrastructure and preventative maintenance. The Department of Cooperative Governance and Traditional Affairs in collaboration with National Treasury should ensure that the *Municipal*

Disaster Recovery Grant allocations support resilient reconstruction, disaster risk reduction, and committed maintenance plans. This would assist in reducing municipalities' exposure to recurring infrastructure damage and limit the need for repeated emergency funds.

iii. The Commission reiterated its past recommendation on differentiated municipal support under section 154 of the Constitution that national and provincial government should provide targeted technical assistance and capacity building support to municipalities experiencing project planning, procurement and implementation constraints

7.2. Parliamentary Budget Office

The PBO submitted that the adjustments budget process is complex and that it is neither practical nor necessarily possible for the Committee to scrutinise every adjustment in equal detail, making it important that National Treasury provides comprehensive, transparent and sufficiently detailed information to enable Parliament to fulfil its oversight responsibilities. However, in its submission, the PBO emphasised that the provision of information by Treasury should not replace independent parliamentary scrutiny. Committees must retain the ability to interrogate the assumptions, motivations and implications of proposed adjustments, focusing particularly on material changes to allocations, spending priorities and implementation outcomes.

On socio-economic context for the 2026 Division of Revenue Amendment Bill, the PBO submitted that the Bill should be considered against the recently published official unemployment rate of 33.6 per cent (43.8 per cent using the expanded definition), child stunting affecting 28.8 per cent of children under five, the 9.4 million people who experienced hunger in 2025, the highest figure in 20 years and rising cost of living pressures.

Regarding the provision of basic education, the PBO noted that of the 22 381 public schools nationally, 3 523 (15.7 per cent) operate in inappropriate buildings, and an additional 43 677 classrooms are required. According to the PBO, the Department of Basic Education estimates that R57 billion per year (R227 billion over the MTEF) is required to address the infrastructure backlog, whereas the *Education Infrastructure Grant* amounts to R15.9 billion in 2026/27 (R50.4 billion over the MTEF). Educator posts are projected to decline by 1 205 nationally

between 2026 and 2027, with the Free State losing 1 658 posts due to budget constraints. In real terms, basic education spending per learner is expected to decline from R18 093 in 2026/27 to R17 978 in 2029/30.

Regarding the provision of healthcare services, the PBO noted that real per capita spending on health in 2026/27 is estimated at R3 354, down from R3 384 in the 2026 Budget. The PBO submitted that according to the *Health Infrastructure Planning System (HIPS)*, of the 4 126 public health facilities assessed, 558 (13.5 per cent) are rated poor or very poor. The provincial capital maintenance backlog amounts to R104.97 billion over the 2026 MTEF, against a *Health Facility Revitalisation Grant* allocation of R24.59 billion over the same period. The PBO submitted that the grant is insufficient to reduce the maintenance backlog and to prevent further deterioration of existing health facilities.

The PBO outlined that in the revised division of revenue, the share of national departments increases from 48.9 per cent to 49.1 per cent, while the share of provinces decreases from 41.7 per cent to 41.5 per cent and the share of local government decreases from 9.4 per cent to 9.3 per cent from the 2026/27 division of revenue to the revised 2026/27 division of revenue. Allocations to provinces are revised upwards from R810.5 billion to R817.6 billion, comprising an equitable share of R676.7 billion and conditional grants of R140.9 billion. Allocations to local government are revised upwards from R182.3 billion to R184.1 billion, comprising an equitable share of R110.1 billion, general fuel levy sharing with metropolitan municipalities of R17.5 billion and conditional grants of R56.5 billion.

The PBO submitted that the R6.38 billion increase in the PES is allocated to fund the early retirement and voluntary exit programmes in provinces. Regarding proposed in-year adjustments to conditional grants allocation, the PBO submitted that:

- A proposed amount of R1.5 billion is added to provincial conditional grants for the reconstruction and rehabilitation of provincial infrastructure damaged by disasters in eight of the nine provinces between December 2025 and June 2026, comprising R343 million in the *Education Infrastructure Grant*, R275 million in the *Health Facility Revitalisation Grant*, R600 million in the *Provincial Roads Maintenance Grant* and R242 million in the *Comprehensive Agricultural Support Programme Grant*;

- A proposed roll-over of R160 million in the health facility revitalisation component of the *National Health Insurance Indirect Grant;*
- A proposed amount of R3.5 billion for the reconstruction and rehabilitation of damaged municipal infrastructure, which requires the re-instatement of the *Municipal Disaster Recovery Grant*;
- Proposed allocation reforms in the metro trading services component of the *Urban Development Finance Grant*; and
- A proposed roll-over of R36 million in the indirect *Municipal Infrastructure Grant* for the completion of several water infrastructure projects.

Regarding conditional grant reforms to enhance effectiveness, the PBO submitted that the following proposals are made for the 2027/28 financial year:

- The *Regional Bulk Infrastructure Grant* and the *Water Services Infrastructure Grant* will be consolidated to support an integrated approach to water services and reticulation infrastructure;
- The *Municipal Disaster Response Grant* and *Municipal Disaster Recovery Grant* are being merged into a single *Municipal Disaster Grant*. The immediate priority is a relief window to allow municipalities to respond quickly after a disaster;
- A new *Environmental Health Practitioners Grant* is introduced for district municipalities to fund the recruitment, training and deployment of environmental practitioners to create capacity to respond to adverse events such as deaths from foodborne illnesses; and
- The *Human Settlement Development Grant* is reduced while new delivery model is designed.

Regarding local government reforms and service delivery, the PBO submitted that:

- The *Smart Meters Grant Programme* helps participating municipalities to improve billing accuracy, reduce losses and reinvest in infrastructure;
- Conditional infrastructure grants are shifting from compliance tracking to measurable delivery;
- Proposed amendments to the MFMA will compel earlier and more decisive provincial and national action where municipalities cannot restore financial stability on their own;

- Cabinet approved the *Revised White Paper on Local Government* in September 2026. According to the PBO, the *Revised White Paper on Local Government* shifts local development from a strictly municipal responsibility to an approach in which all spheres of government, state-owned companies and communities share responsibility for outcomes. This revised white paper also ensures that finance follows function, redesigning grants for affordability and renewing revenue instruments to match differentiated powers;
- The Government's review of municipal funding has identified two main challenges. Firstly, that municipalities are not spending their available operational funding effectively, and secondly, municipalities face a shortage of funding for long-term infrastructure investment, particularly the replacement of ageing water pipes, electricity substations and wastewater treatment plants, with the report expected to be completed by the end of 2026, proposing a practical and sustainable municipal funding model to address these challenges.

7.3. South African Local Government Association

The South African Local Government Association (SALGA) submitted that the 2026 MTBPS recognises rising municipal funding pressures. However, SALGA emphasised that the fiscal architecture still needs to catch up with local government mandates and service delivery costs. SALGA further submitted that the vertical division of revenue remains misaligned with expanding municipal mandates, infrastructure obligations and the cost of basic services. The local government percentage share remains at 9.3 per cent in the revised 2026/27 division of revenue, and nominal local government allocations amount to R184.1 billion in 2026/27, of which conditional allocations amount to R57.3 billion.

Regarding the state of municipal finances, SALGA submitted that the municipal funding model cannot rely uniformly on own revenue, because service assignments and revenue bases differ substantially across municipality types. According to SALGA, electricity distribution is performed by 187 of the 257 municipalities and 144 of 257 municipalities are water services authorities, while property rates are not generated in the 44 districts and are very limited in 61 rural municipalities.

Regarding pressures on municipal finances, SALGA submitted the following as key municipal finance pressure points:

- That 89 municipalities are in financial distress, 89 have unfunded budgets, 54 are in the debt relief programme and 15 are under section 139 and 154 support;
- Actual revenue collection was 63.9 per cent against a budgeted 72.8 per cent, and 55 municipalities had negative cash balances;
- Average municipal electricity losses are currently sitting at 25 per cent, combined water and electricity losses amount to R25 billion per year, and metro water losses were 34.6 per cent (R8.66 billion) in 2023/24;
- Municipal consumer debt was R484 billion as at the end of 31 March 2026, of which R424.7 billion (87.7 per cent) was outstanding for more than 90 days. Households owe municipalities R339 billion (70 per cent), businesses R105.3 billion (21.7 per cent) and organs of state R28.5 billion (5.9 per cent); and
- Municipalities owe creditors R185.2 billion, of which 76.9 per cent is outstanding for more than 90 days. Bulk electricity (54 per cent) and bulk water (16 per cent) together account for 70 per cent of the amount owed.

SALGA called for organs of state to reconcile and pay undisputed current municipal accounts within legislated payment periods, and for verified historic debt to be resolved through time-bound intergovernmental dispute-resolution and repayment arrangements.

Regarding infrastructure grants and borrowing, SALGA submitted that growth in allocations is positive but does not resolve municipal infrastructure backlogs or ageing networks, and that a stronger grant performance framework must not penalise municipalities for structural capacity and funding constraints. SALGA cited evidence from the Department of Cooperative Governance that the nine comparable municipalities receiving the *Integrated Urban Development Grant* spent 98.05 per cent of their allocations in 2025/26, and that expenditure on the *Municipal Infrastructure Grant* by province ranged from 100 per cent in Mpumalanga to 85.7 per cent in the Free State. However, SALGA submitted that high expenditure does not, on its own, confirm completed and functional assets, and expressed strong disapproval of the *Municipal Infrastructure Grant* being used to refinance new grants.

SALGA further submitted that long-term municipal borrowing of R65.5 billion is concentrated in the eight metropolitan municipalities (84 per cent), with the City of Johannesburg alone holding R19.4 billion (30 per cent), and that most municipalities are largely absent from the borrowing market. SALGA proposed a creditworthiness index and improvement programme, a municipal project planning, preparation and delivery capability facility, and credit enhancement financing products and early-stage project financing.

Regarding disaster funding and grant adjustments, SALGA submitted that adaptation and disaster-recovery funding must be predictable, transparent and protected. SALGA called for the publication of the 2024 disaster-funding review, the design of a municipal adaptation window with disbursement standards, and transition rules for the merged disaster and water grants that protect approved recovery projects. SALGA further called for the adjustments to the *Urban Settlements Development Grant* and the *Urban Development Financing Grant* to be explained per municipality.

Regarding the withholding of transfers to municipalities and proposed amendments, SALGA submitted that it supports accountability that is targeted, lawful and corrective, including urgent action in cases of fraud or immediate risk, but opposes measures that are open-ended, applied uniformly across municipalities or harmful to communities. SALGA indicated that, in a submission to National Treasury dated 15 September 2026, it proposed amendments to the Division of Revenue Act to safeguard a fair process before municipal transfers are delayed, stopped or withheld, namely:

- An amendment to section 5 to protect scheduled equitable share payments, requiring advance written notice, clear reasons and corrective payment arrangements before a transfer is delayed, short-paid or adjusted;
- The insertion of a section 31(4) to create a time-bound mediation and facilitation process to resolve intergovernmental disputes before transfers are affected; and
- Cross-cutting safeguards that enable municipalities to make representations, and that require diagnosis, technical support and a monitored remedial plan before sanction, while retaining immediate action for fraud, deliberate non-compliance or serious risk.

In conclusion, SALGA made the following priority requests for the Committee's consideration:

- *On municipal impact and evidence records*: that material adjustments in the Bill be explained per municipality, with evidence of the breach, the process followed, the amounts affected and the status of transfers;
- *On funded distress framework and legal clarity*: that a funded framework for municipalities in distress, with essential-service safeguards, be tabled within 90 days, and that sections 38 and 39 of the Municipal Finance Management Act and parliamentary safeguards be clarified.
- *On the debt-relief redesign and support first*: that the outcomes of the municipal debt relief programme be reviewed and its conditions linked to funded revenue support, with diagnostics, technical assistance, remedial plans and monitoring required;
- *On the protection of basic services and transparent reviews*: that basic services be protected when transfers are withheld, by assessing cash flow, indigent support, bulk payments and lawful commitments, and by setting written remediation and release criteria with regular reassessment;
- *On the capability programme and grant transition*: that a capability programme measure filled posts, skills transfer, the quality of annual financial statements and project pipelines, and that the processes for consolidating the water and disaster grants be published;
- *On funding review, data and division of revenue response*: that the costing, consultation record and updated poverty data of the municipal funding review be published;
- *On proposed amendments to some sections of DoRA*: that the Committee obtain a formal response from National Treasury to SALGA's proposed amendment of section 5, consider section 31(4) alongside section 216 and MRMA requirements, and consider its participation and support-before-sanction proposals.

8. Public submissions on the Bill

The sections below provide summaries of the inputs made by organisations and individuals in response to the advertisement calling for submissions from the public on the Bill.

8.1. Congress of the South African Trade Unions

The Congress of South African Trade Unions (COSATU) submitted that, while there are positive elements in the Bill, including allocations it had called for, government had missed the opportunity to table a bold package of interventions to address high unemployment, weak economic growth, entrenched levels of poverty and inequality, high crime rates and embattled public and municipal services.

Regarding the proposed allocations to provinces, COSATU expressed a concern about the loss of skills arising from the early retirement packages but welcomed government's commitment to use the savings to hire young recruits and fill an additional 7 101 frontline service posts. COSATU welcomed the following proposed additional allocation to provincial conditional grants:

- R343 million in the *Education Infrastructure Grant* for the Eastern Cape, KwaZulu-Natal, Limpopo, Northern Cape and Western Cape;
- R242 million in the *Comprehensive Agricultural Support Programme Grant* for Mpumalanga, Northern Cape and Western Cape;
- R599 million in the *Provincial Roads Maintenance Grant* for the Eastern Cape, Limpopo, Mpumalanga, Northern Cape and Western Cape;
- R275 million in the *Health Facility Revitalisation Grant*; and
- R159 million in the *National Health Insurance Grant* for the Eastern Cape and North West.

However, the Federation registered its concern about the proposed reduction of R699 million for the Western Cape provincial allocation in the *Education Infrastructure Grant*.

Regarding the proposed local government allocations in the Bill, COSATU submitted that the state of local government remains extremely worrying and is worsening each year. Debt owed to municipalities has passed R480 billion, while local government owes Eskom over R120 billion. The Federation welcomed the proposed additional allocation of R3.5 billion for the

repair of municipal infrastructure damaged by natural disasters. However, COSATU expressed a concern about some of the proposed reductions in local government conditional grant allocations, including:

- R1.1 billion from the City of Johannesburg's allocation in the *Urban Settlements Development Grant*;
- R171 million, R481 million and R158 million from the *Urban Development Financing Grant* allocations of Ekurhuleni, Johannesburg and Nelson Mandela Bay respectively; and
- Water and Sanitation: R420 million cut to Olifants Management Programme

In conclusion, COSATU submitted the following proposals to Committee for consideration:

- That a bold package of interventions to stabilise and rebuild increasingly dysfunctional municipalities is urgently needed;
- That Parliament exercise greater oversight over the rollout of infrastructure programme by municipalities; and
- That government, including law enforcement, Eskom and local government, as well as Parliament, give dedicated attention to the growing municipal debt crisis, in particular debt owed to Eskom and water boards.

8.2. South African Human Rights Commission

The South African Human Rights Commission (SAHRC) made its submission under its constitutional mandate in sections 181 and 184(1) of the Constitution and its duty under section 13(1)(b)(v) of the South African Human Rights Commission Act, No. 40 of 2013 to review government policies relating to human rights. The Commission's submission focused on how the proposed allocations can support the equitable delivery of essential services and the progressive realisation of socio-economic rights.

The SAHRC submitted that section 214(1)(a) of the Constitution requires an Act of Parliament to provide for the equitable division of nationally raised revenue among the three spheres of

government, and that section 214(2) requires the division of revenue to take into account, among other things:

- the ability of provinces and municipalities to provide basic services and perform their functions
- their fiscal capacity and efficiency
- their developmental needs and disparities; and
- their flexibility in responding to emergencies.

Read with section 27(2) of the Constitution, which requires the state to progressively realise the rights in section 27(1) within its available resources. According to the SAHRC, these provisions should guide the Committee's scrutiny of the proposed allocations, particularly where communities already face severe barriers to access. According to the Commission, the assessment should compare existing and proposed allocations, explain changes in purchasing power and expected service outcomes, and identify who is likely to be affected. Where access to services may deteriorate, National Treasury, departments and municipalities should explain the reasons, the alternatives considered and the cost of mitigation.

Regarding the proposed allocation for basic education, the SAHRC welcomed the additional funding in the *Education Infrastructure Grant* of R50 million for the Eastern Cape, R148 million for KwaZulu-Natal, R65 million for Limpopo and R45 million for the Northern Cape provinces, respectively. The Commission noted that the Free State allocation remains at approximately R1.046 billion, while the Western Cape allocation falls by approximately R699.9 million (26.7 per cent) and that the grant declines nationally by R391.9 million. The Commission indicated that it has previously identified water and sanitation problems at a school in Hertzogville.

Regarding the health sector, the SAHRC submitted that the *National Tertiary Services Grant* remains unchanged across provinces, and that the *Health Facility Revitalisation Grant* increases nationally by R275 million while the Free State allocation remains unchanged. Schedule 2 of the Bill proposes a R1.211 billion increase in the Free State provincial equitable share. The Commission submitted that it has observed long queues and staff shortages during

its hospital visits in the Free State, and that the provincial equitable share figures alone do not show how much funding will reach these facilities.

Regarding Schedule 5, Part B of the Bill, the SAHRC submitted that, according to the 2023 Budget Review, 43 municipalities were in a financial and service-delivery crisis, requiring intervention from the national and provincial governments, with the Eastern Cape and North West provinces having the highest numbers. The Commission further cited Statistics South Africa findings that those most affected by poverty are generally Black African women, children under 17, people living in rural areas, particularly in the Eastern Cape and Limpopo provinces, and those without education.

Regarding the local government equitable share; the SAHRC submitted to the Committee that its *Indaba on the Realisation of Socio-Economic Rights Through Pro-Human*, held in March 2026, raised serious concerns about the disbursement of funds through the equitable share. The Commission submitted that:

- The equitable share faces challenges beyond funding, including fiscal design, data quality, municipal revenue capacity, the use of transfers, and governance and financial-management weaknesses;
- The unconditional nature of the local government equitable share supports local autonomy but can weaken its redistributive purposes when funds are diverted to personnel, debt, operational shortfalls or other priorities, thus obscuring their impact on poor households;
- Low spending on repairs and maintenance undermines reliable water and electricity services, meaning lawful expenditure may still produce inadequate rights-based outcomes;
- Poor and rural municipalities have smaller revenue bases but greater service delivery needs and the reliance on cost-reflective tariffs for maintenance may force them to balance financial sustainability against affordability and access to basic services;
- Continued failures raise doubts about the timely and consistent enforcement of the intervention provisions of the Division of Revenue Act; and

- Corruption, wasteful spending and inappropriate outsourcing weakens the equitable share's redistributive purposes by reducing the funds available for infrastructure, maintenance and direct services.

Furthermore, the SAHRC submitted that, without making the local government equitable share conditional, monitoring and oversight could align allocation and expenditure data with indicators such as service continuity, infrastructure functionality, access to free basic services, maintenance backlogs and the experiences of vulnerable households.

Regarding a proposal to amend the current Bill, the SAHRC proposed the insertion of a new clause after clause 1 of the Bill, and the renumbering of the short title clause. This proposed clause would require the Minister of Finance, within 60 days after the Act takes effect, to table in Parliament and publish a human rights impact assessment of the adjustments made by the Act, prepared in consultation with the relevant national departments, provincial treasuries and municipalities, with input from the FFC and an opportunity for affected stakeholders to make representations. According to the submission made by the Commission, the assessment must:

- Compare the main and adjusted allocations, taking account of changes in the cost of providing services and the factors in section 214(2) of the Constitution;
- Assess the likely effects on access to health care services, sufficient food and water, and social security under section 27 of the Constitution, identifying the areas and groups most affected and explaining any material gaps in the evidence;
- Assess how reasonably foreseeable geopolitical, trade, donor funding, economic and climate-related shocks could affect service continuity and the purchasing power of the allocations;
- Explain any material risks of reduced access to services, the alternatives considered and the proposed mitigation measures, including their cost, the responsible authority and implementation dates; and
- Specify the service delivery indicators and baselines against which implementation will be monitored.

Furthermore, the Commission submitted that this proposed clause would also require the Minister of Finance to publish a progress report within 45 days after the end of each remaining

quarter of the 2026/27 financial year, setting out actual service outcomes against the indicators and baselines and any corrective measures required. For future financial years, the Commission recommended this be a standing tabling requirement.

In conclusion, the SAHRC called for a targeted allocation of the budget that is mindful of demographics, with a special emphasis on the poor and marginalised.

8.3. Pan-African Institute for Fiscal and Policy Studies (PI-IFS)

The PA-IFS prefaced its submission by indicating that it supports the proposed Bill, with conditions. The PA-IFS submitted that in the Bill, provinces gain in 2026/27 while municipalities wait until 2027/28. The PA-IFS in summary made the following observations:

- The Provincial equitable share increases from R670.3 billion to R676.7 billion for early retirement and voluntary exit costs.
- Provincial conditional grants increase from R140.2 billion to R140.9 billion, mainly for approximately R1.5 billion in disaster rehabilitation and a national health insurance roll-over of R159.6 million.
- The local government equitable share remains unchanged at approximately R110 billion with increases starting in 2027/28.
- Approximately 63 per cent of the new R3.5 billion *Municipal Disaster Recovery Grant* goes to KwaZulu-Natal, Limpopo and the Eastern Cape provinces, respectively, while approximately 90 per cent goes to Category B municipalities.
- The *Urban Settlements Development Grant* decreases from R4.1 billion to R2.9 billion, with the entire reduction borne by the City of Johannesburg, whose allocation decreases by 71 per cent.
- The *Urban Development Financing Grant* decreases from R9 billion to R8.5 billion, mainly through reductions for Johannesburg, Ekurhuleni and Nelson Mandela Bay metropolitan municipalities.

The PA-IFS indicated that is supported the Bill subject to the following conditions:

- *Disaster money (milestones and resilience)*: tranches should be distributed against verified milestones, as the PA-IFS proposed in June 2026. Publish project lists; fund engineers before the first tranche, while rebuilding to resist the next flood.
- *Rescheduling is not neutral*: every grant cut or deferred by more than R100 million needs an impact statement, setting out the projects, households, cause and recovery date.
- *Early retirement (show the savings):* the programme was foreseeable and only the bill was not. National Treasury should report exits, refills and net savings post by post while protecting frontline health and education posts.
- *Social workers for gender-based violence and femicide (GBVF), measure it*: government should introduce a temporary grant with a sunset and outcome indicators, plus a cumulative statement of all GBVF spending and results.

Regarding municipal councils and finances, the PA-IFS submitted that, after the 4 November elections, 139 of 213 councils are hung, and that the proposals stand but the conditions for release change. Regarding the *Municipal Disaster Recovery Grant*, of which approximately 90 per cent goes to Category B municipalities, the PA-IFS submitted that many weakest-capacity councils are now hung, and tranches of this proposed allocation should be released against milestones, with project teams that survive a change of mayor. In the organisation's view, the proposals are sound in direction, but the delivery risk lies in who will govern the receiving councils, and when.

Regarding the constitution of municipal councils after the 2026 Local Government Elections, the PA-IFS submitted that the new municipal councils inherit a fiscal framework that does not work. To this effect, the PA-IFS cited the example of 162 municipalities who are in financial distress, consumer debt of R484 billion (87.7 per cent outstanding for more than 90 days), R185 billion owed to creditors (70 per cent for bulk electricity and water), a collection rate of 63.9 per cent against 72.8 per cent budgeted, R25 billion a year lost in water and electricity, and R25 billion in unfunded mandates carried by councils. According to the PA-IFS, the local government share of approximately 10 per cent of non-interest spending is historical rather than costed.

Regarding the National Treasury's 08 July 2026 decision of withholding the equitable share to some municipalities, the PA-IFS submitted that R13.5 billion was withheld from 69

municipalities on 8 July 2026, after notices to 99 municipalities, and released by 31 July 2026, and that Parliament was briefed only afterwards. The PA-IFS supported SALGA's proposed due-process amendments to sections 5 and 31(4) of the Division of Revenue Act and proposed a 90-day post-election fiscal diagnostic for each municipality before any withholding of the December 2026 local government equitable share tranche, with immediate action retained for fraud and deliberate non-compliance. The PA-IFS further submitted that organs of state owe municipalities approximately R28.5 billion and should pay their municipal accounts within 30 days.

On the local government fiscal framework, the PA-IFS proposed that the local government fiscal framework be reformed by costing free basic services and unfunded mandates, then either funding them or returning them after a risk assessment has been completed; re-basing the equitable share formula on costed needs, with updated poverty and bulk-cost data; differentiating between metropolitan municipalities, secondary cities and rural municipalities; requiring organs of state to pay municipal accounts within 30 days and settle verified arrears within set time limits; and introducing budget-continuity rules for councils governed by coalitions.

8.4. Van Wyk Political & Governance Intelligence

Van Wyk Political & Governance Intelligence (VPGI) submitted that, in considering the Bill, the Committee should scrutinise the rationale for changes to national, provincial and local allocations, the formula or criteria used, the effect on service delivery, and whether receiving institutions have the capacity to spend the funds lawfully and effectively.

According to the organisation, material allocation changes should be accompanied by a concise implementation schedule identifying the responsible institution, project or service, procurement status, expected beneficiaries, milestones and reporting method. In instances where municipalities or provinces face repeated underspending, delayed projects or audit concerns, corrective measures should be specified alongside the allocation, with technical support and consequences proportionate to the evidence. VPGI further submitted that infrastructure allocations should be assessed for readiness, maintenance obligations, local economic effects and delivery risks, and that reporting should separately identify money

appropriated, transferred and spent, assets or services delivered, and outcomes experienced by the public.
VPGI recommended that the Committee scrutinise changes to provincial and local allocations against service-delivery needs, project readiness, spending capacity, maintenance obligations and corrective plans for persistent underperformance.

8.5. Cllr Nongelo Chiume and representatives of the royal families in Ekurhuleni

Cllr Nongelo Chiume, a proportional representation councillor in the City of Ekurhuleni representing Build One South Africa (BOSA), made a submission together with representatives of the royal families in Ekurhuleni.

On challenges facing their communities, drug abuse and teenage pregnancy; youth unemployment and lack of opportunities; limited sporting opportunities for schoolchildren; poverty and food insecurity; and insufficient recognition of indigenous knowledge and cultural development were cited as key challenges. The representatives' central request is for Parliament to intervene to re-open, maintain and make better use of the facilities communities already have, as one facility can serve many purposes: sport, education, cultural development, food production and skills training.

On their position on the Bill, the community representatives recognised that the Bill determines how public money is shared between national, provincial and local government. However, their central questions were whether the proposed allocations respond to the actual needs of communities, and whether government has the capacity to spend the money effectively.

The community representatives expressed a concern about the reduction of R171.9 million in the City of Ekurhuleni's allocation from the *Urban Development Financing Grant* and about its effect on infrastructure, especially where public facilities are already deteriorating or unused. Citing figures as publicly reported, the community representatives submitted that one in four of the City's sports and recreation facilities is not working, 31 of the City's 37 public swimming pools are closed, and R209.2 million was spent on five completed facilities that remain unused. The community representatives requested that Parliament establish which projects and communities will be affected by the reduction, why it is necessary, and how essential projects will be protected.

Furthermore, the community representatives made the following submissions:

- *Funding must reflect community needs*: funding decisions must consider population needs, poverty, unemployment, infrastructure backlogs and municipalities' ability to raise their own revenue. Communities with limited resources should not be disadvantaged simply because their municipalities struggle to generate sufficient income. The representatives requested that Parliament examine whether funding allocations adequately reflect these differences and the needs of vulnerable communities in the townships;
- *Government must have the capacity to spend*: allocating more money does not automatically improve services. When departments and municipalities cannot plan, implement and complete projects, communities suffer, and officials who have the capacity and skill to deliver on government programmes are needed. The community representatives requested that Parliament require clear plans to improve spending capacity, including robust accountability where projects fail because of poor planning or management;
- *Public funding must create opportunities*: youth unemployment is one of Ekurhuleni's most serious challenge. Funding should, wherever appropriate, support practical skills, community development, local businesses and jobs, and existing grants for related activities should be better coordinated to avoid duplication and waste. The community representatives requested that Parliament consider how government funding can better connect infrastructure development with youth employment, skills development and poverty reduction; and
- Unspent funds and roll-overs must have consequences: there may be legitimate reasons to carry unspent funds into another year, particularly for continuing projects. However, delays caused by poor planning or inadequate management should not simply be accepted, and a culture of consequence management is needed. The community representatives requested that Parliament ensure that unspent funds and approved roll-

overs are properly explained, delayed projects have clear completion dates, and responsible officials are held accountable where failures were avoidable.

The community representatives requested that the Committee to place the following on record:

- Public allocations must respond to the real social and economic needs of communities;
- Existing public infrastructure must be made functional and accessible before further public investment is wasted, and the building of white elephants must stop;
- Government must improve its capacity to spend allocated funds (taxpayers' monies), complete projects and account for delays;
- Communities must be informed when funding changes affect planned infrastructure and service delivery; and
- Public investment should, wherever possible, support youth development, skills, employment opportunities and poverty reduction, as without jobs the situation in communities becomes dire.

In conclusion, the community representatives emphasised that government must only be measured on what taxpayers' monies deliver to communities. Communities have a social contract with government, and the time has come for government to honour it for the sake of their collective future.

8.6. Ms Rachel Smith

Ms Rachel Smith of Johannesburg made a written submission in her personal capacity. Ms Smith submitted that public funding should follow credible cash plans, independently verified work and actual services delivered, and that financial reporting must lead to corrective action before another financial year is lost.

Ms Smith submitted that in the 2024/25 municipal audit reporting, the Auditor-General found average debt-collection times of 129 days, R62.12 billion written off, 136 municipalities not paying suppliers on time, and 98 municipalities spending more than their revenue. National Treasury's report of 31 December 2025 recorded R467.2 billion in municipal consumer debt, including R27.6 billion owed by organs of state, R160.8 billion in municipal creditor debt, and

actual collections of 69 per cent of billed revenue against a budgeted 78.6 per cent. Ms Smith noted that these are different debt categories and reporting periods, not sums to be treated as one consolidated fiscal loss.

Regarding the Division of Revenue Amendment Bill, Ms Smith requested that the Committee:

- Ask for transparent conditional grant schedules showing by municipality, what was transferred, actual expenditure, independently verified and delivered;
- Require credible remediation and lawful rephasing for stalled infrastructure projects, and publication of intergovernmental debt reconciliation; and
- Safeguard equitable share funding, essential services and valid obligations.

Furthermore, Ms Smith further proposed that:

- Overdue accounts between government departments and municipalities be reconciled, identifying disputed and undisputed amounts separately, with settlement and deadlines;
- Subsequent discretionary tranches be tied to independently verified progress where lawful, with proper exceptions, a correction process and appeal or review safeguards; and
- Chronic underspending and defective outputs be reviewed before future allocations are renewed. For a programme that spends only 20 per cent of its allocation, delivery, outstanding commitments, capacity, obstacles and public need should be investigated before the same future budget is simply rolled over.

Where these improvements fall outside the permissible scope of a particular Bill, Ms Smith asked the Committee to recommend Treasury instructions, conditional grant framework changes, PFMA or MFMA regulations or later amendments, instead of treating them as amendments already present in the Bills.

Ms Smith suggested that the Committee could ask National Treasury, the following questions among other things:

- What happens to a municipal collection forecast that repeatedly fails, and who owns the correction;
- How much overdue intergovernmental debt has been verified and settled, not merely disputed; and

- How essential services, residents, verified creditor claims and existing contracts are protected when funding is stopped.

In conclusion, Ms Smith submitted that her aim is not indiscriminate budget cuts or punishing communities for failures of management, but straightforward accountability: what was promised, what was paid for, what works, and who is responsible for fixing what does not work.

9. Committee findings and observations

Having deliberated and considered the Bill and all the submissions made by the above stakeholders on Division of Revenue Amendment Bill [B29 - 2026], the Standing Committee on Appropriations makes the following findings and observations:

9.1. The Committee notes and welcomes the proposed allocation of R6.4 billion, added to the provincial equitable share to fund the phased implementation of the *Early Retirement Programme* to rejuvenate the public services. However, the Committee would like to implore on National Treasury to closely monitor this process to ensure that, the end target does not only become the rejuvenation of the public sector at the expense of critical skills loses. Furthermore, the Committee would also like to emphasise on the need to periodically audit the uptake in this programme to ensure that this proposed allocation is potentially not directed towards the payment of early retirement packages to ghost workers, given the fact that the audit made by the National Treasury and the Department of Public Services and Administration has thus far flagged 4 323 high-risk and suspicious cases in the payroll system. Continuous and periodic audits of payments made is required if the risk of paying ghost retirees is to be minimised, with fraud reported to the relevant authorities and funds recovered where possible using all available government legal instruments.

9.2. The Committee notes and welcomes the proposed allocation of R1.5 billion, added to provincial grants to fund the reconstruction and rehabilitation of provincial infrastructure damaged by rainfall, flooding, thunderstorms, and strong winds that occurred in eight of the provinces between December 2025 and June 2026. Given

the limited nature of revenue raising capabilities by provinces, the current state of various provincial infrastructure assets, and the damages that have been witnessed and caused recently by damaging natural disasters to the various provincial infrastructure assets, the Committee welcomes this proposed allocation. Furthermore, the Committee would like to reiterate its calls for government to begin prioritising the proper building and maintenance (preventative and scheduled) of government infrastructure assets, adopting proactive risk-management measures through strategic infrastructure planning and adaptive budgeting to mitigate future impacts and strengthen infrastructure resilience to natural disasters. This sentiment is also shared by the FFC, PBO, PA-IFS and COSATU.

9.3. The Committee notes with concern the proposed rescheduling of R735 million within the ring-fenced BFI allocation in the *Education Infrastructure Grant* for the Western Cape, shifted to the 2027 MTEF to focus on the initial registered schools and project scope to align funding with schools' construction timelines and cashflow requirements. The Committee notes national Treasury's explanation that the rescheduling focuses the allocation on the initially registered schools and project scope, to align funding with school construction timelines and cash flow requirements. However, The Committee is concerned about repeated delays and their effects on service delivery. National Treasury and implementing institutions should distinguish unavoidable delays from weaknesses in project preparation or implementation, explain the corrective action required and provide credible revised funding and completion plans.

9.4. The Committee commits to have engagements with the Department of Basic Education and the Western Cape Department of Education to understand the challenges faced by the province in spending this parliament's appropriated funds.

9.5. The Committee notes and welcomes the proposed amount of R160 million, rolled-over in health facility revitalisation component of the *National Health Insurance Indirect Grant* for the Christiana Hospital building; and for Smart Revitalisation for the Bambisana Hospital. The Committee has always emphasised on the importance of proper public health facilities, that meets the required standards and

would like to encourage the Minister of Health to ensure that the that the Department of Health closely monitors the implementation of these projects to avoid unnecessary delays and potential cost-overruns and immediately intervene where there are potential threats or risks that can delay the roll-out of these public health projects.

9.6. The Committee notes and welcomes the proposed amount of R3.5 billion, allocated for the reconstruction and rehabilitation of damaged municipal infrastructure for the disasters that occurred across the country between December 2025 and June 2026, requiring the re-instatement of the *Municipal Disaster Recovery Grant*. The finance related challenges within many municipalities are well document and this has also prompted government to review both the White Paper on Local Government and the Local Government Fiscal Framework. The Committee is of the view that the Department of Cooperative Governance and Traditional Affairs, the Municipal Infrastructure Support Agency (MISA) and SALGA should play a critical role in assisting municipalities to spend disaster grants and quickly recover lost assets and bring back life to normality for communities affected by natural disasters.

9.7. The Committee notes with concern the proposed rescheduling of R1.2 billion allocation from the City of Johannesburg in the *Urban Settlement Development Grant*, shifted to the 2027 MTEF to align to the revised implementation plan and cash flow projections for the *Lufhereng Mixed Used Development Project* funded through the BFI. The Committee notes with concern the R1.154 billion reduction in the City of Johannesburg's Urban Settlements Development Grant allocation associated with the Lufhereng Mixed Use Development project. The Committee commits to engage with both COGTA and the City of Johannesburg to understand the challenges around the implementation of this project, given its implications both on the BFI funding and parliament's appropriated funds. The Committee is concerned that the shifting of BFI funding to align with projects construction timelines and cashflow projections is becoming a permanent feature of the MTBPS processes, given that the BFI funding instruments has recently been introduced by government. The Committee is of the view that the project funding qualification criteria, alone should be stringent enough to prevent the rescheduling of already

BFI approved and funded infrastructure projects, and to a larger extent prevent the allocation of limited funds to projects that are not ready for implementation.

9.8. The Committee notes with concern the proposed rescheduling of R575 million from the City of Johannesburg's BFI allocation within the *Urban Development Financing Grant*, shifted to the 2027 MTEF to align with the revised implementation plan and cash flow projections for the Alternative Waste Treatment Technology project. Furthermore, the Committee is concerned that, after taking account the metro trading services allocation correction described above, the City of Johannesburg's net grant allocation decreases by a proposed amount of R482 million. The Committee further commits to formally engage with the CoGTA and the City of Johannesburg on all the challenges faced by the metro in spending parliament's appropriated infrastructure funds, funded through the BFI in particular.

9.9. The Committee notes with concern the figures which are quoted as being owed by government departments to municipalities. A concern which is also shared by SALGA, PBO and PA-IFS, who all calls for organs of state to reconcile and pay undisputed current municipal accounts within legislated payment periods, and for verified historic debt to be resolved through time-bound intergovernmental dispute-resolution and repayment arrangements. The Committee would like to implore on the Minister of Finance to explore all his available legal instruments to compel national and provincial government departments to pay their debt to municipalities and in other cases, conclude payment arrangements with municipalities, to achieve the same positive outcomes that were achieved by the withholding of the LES in July 2026. The Committee would also like to encourage the Minister of Finance to explore available avenues to equally force private businesses to pay their debt to municipalities. The Committee is of the view that these interventions might have a long positive effect in inculcating the culture of timeously paying for services rendered and the settlements of debt owed. Furthermore, the Committee is of the view that if government and the private sectors continue to owe and are unable to settle their debt with municipalities, both the revision of the white pater on local government and the local government fiscal framework will not fully achieve the desired outcomes.

9.10. The Committee notes the submission by VPGI recommending that the Committee scrutinise changes to provincial and local allocations against service-delivery needs, project readiness, spending capacity, maintenance obligations and corrective plans for persistent underperformance.

9.11. The Committee notes and welcomes all the National Treasury's proposed changes in grant framework and allocations in line with the requirements of section 15(4) of the Division of Revenue Act, 2026, requiring National Treasury to consult Parliament on any proposed changes to a conditional grant framework. The Committee is of the view that the grant frameworks and allocations should be periodically changed, to improve spending efficiencies while ensuring that limited public funds are spent according to stated objectives and timelines.

10. Recommendations

The Standing Committee on Appropriations, having considered submissions from various stakeholders on the Division of Revenue Amendment Bill [B29 - 2026], recommends as follows:

10.1. That the Minister of Finance must ensure that National Treasury monitors the allocations made or amended through this bill, to ensure they are utilised in a manner as envisaged in the Constitution, the Bill, their intended purposes and in compliance with all laws and regulations governing the country's public finances, within the context of a constrained fiscal environment. Where there is evidence of abuse and misuse of public funds, the Committee would like to encourage the Minister of Finance to act decisively within the ambit of the law to remedy the situation.

10.2. That the Minister of Finance must ensure that National Treasury in consultation with Provincial Treasuries table to Parliament a detailed plan on how government plans to safeguard the proposed allocation of R6.4 billion to the provincial equitable share for towards the funding of government proposed early retirement programme. Parliament must be briefed in detail on all measures taken by government to eliminate or minimise the risks of potential abuse of this proposed

allocation given that National Treasury and the Department of Public Services and Administration has thus far flagged 4 323 high-risk and suspicious cases in the payroll system requiring verification. The Committee is of the view that if nothing is done with the required urgency, a possibility exists that some of these 4 323 flagged cases in payroll system might also tap into this proposed early retirement scheme.

National Treasury, in consultation with provincial treasuries, should report actual provincial retirement and voluntary exit costs and net savings after exit payments, replacement staffing, recruitment, training and other implementation costs. Distinguish savings reused for other expenditure from actual spending reductions and report the effects on staffing capacity and frontline services.

10.3. That the Minister of Finance and the Minister of Cooperative Governance and Traditional Affairs ensure that the Department of Cooperative Governance and in constant collaboration with National Treasury put measures in place to ensure that the Municipal *Disaster Recovery Grant* allocations support resilient reconstruction, disaster risk reduction, and committed maintenance plans and associated funding. This is meant to assist in reducing municipalities' exposure to recurring infrastructure damage and limit the need for repeated emergency funds, as natural disasters have become a common phenomenon due to climate change.

That transfers when disasters are identified should be dealt with expeditiously and that furthermore, once funds are transferred, that quarterly reports should show expenditure, work completed, services restored and compliance with the applicable grant conditions.

10.4. That the Minister of Finance and Minister of Cooperative Governance and Traditional Affairs ensure that the National Treasury and the Department of Cooperative Governance, in consultation with SALGA support municipalities to update their asset registers and municipal infrastructure data, which are fundamental for auding and for the creation of an insurance model for municipally owned assets. The declaration and certification of damaged municipal infrastructure assets by the DMC should be considered together with updated

municipal infrastructure assets registers to provide certainty about allocated disaster funding.

10.5. That the Minister of Cooperative Governance and Traditional Affairs ensure that the Department of Cooperative Governance and the City of Johannesburg provide a comprehensive report and appear before Parliament on the causes and service delivery implications of the rescheduling of R575 million from the City of Johannesburg's BFI allocation within the *Urban Development Financing Grant*. This report should also provide a detailed report on the rescheduling of R1.2 billion allocation from the City of Johannesburg in the *Urban Settlement Development Grant*. The Committee is concerned that the City of Johannesburg's allocation in the Urban Settlements Development Grant decreases by R1.154 billion owing to the rescheduling of the Lufhereng Mixed Used Development project and that its net allocation in the *Urban Development Financing Grant* decreases by R482 million owing to the rescheduling of the *Alternative Waste Treatment* Technology project.

10.6. The Minister of Basic Education ensures that the Department of Basic Education and the Western Cape Department of Education tables and appear before Parliament with a comprehensive report on the education infrastructure projects funded through the BFI amounting to R735 million within the *Education Infrastructure Grant* for the Western Cape, which has since been shifted to the 2027 MTEF to focus on the initial registered schools and project scope to align funding with schools' construction timelines and cashflow requirements. The Committee is of the view that close oversight of all the BFI funded projects is critical if government is to attain value for money on all government funded infrastructure projects.

11. Committee Recommendation on the Bill

The Standing Committee on Appropriations, having considered the Division of Revenue Amendment Bill [B29 - 2026] (National Assembly) referred to it and classified by the

Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.

12. Conclusion

The Committee would like to express its appreciation of all the submissions made by the organisations that made contributions to this Parliamentary Budget process in response to the advertisements. Parliament appreciates all of you and all your valuable contributions. All your contributions allow Parliament to fulfil its Constitutional obligations. Importantly, the Committee would like to express its appreciation on the consistency in which COSATU always participate in the Committee's public hearing when processing all proposed Bills before it. Over and above participating and helping the Committee in fulfilling its legislative mandate, this positively add to Parliament's fulfilment of the constitutional obligations of public involvement in law making processes, as envisaged in section 59 of the Constitution. Over and above that, Parliament commits to continue advance the recommendations adopted by the Committee with the Executive Organ of the State in the interest of all South Africans. We appreciate and value you.

The responses to the recommendations as set out in section 10 above must be sent to Parliament as well as the Committee by the relevant Executive Authorities within 60 days of the adoption of this report by the National Assembly.

Report to be considered.