



PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS & FINANCE

NEGOTIATING MANDATE

To: Chairperson of the Select Committee on Appropriations

Name of Bill: Division of Revenue Amendment Bill

Number of Bill: B19-2021

Date of Deliberation: 01 December 2021

VOTE OF THE LEGISLATURE:

The Portfolio Committee on Public Accounts and Finance as designated by the Free State Legislature votes in favour of the Bill provided the following matters are considered:

- a) **Equitable Share** -the Equitable Share allocations to municipalities are allocated through a formula and remains a thorny issue as it is largely population driven. The Committee is concerned that the allocation made to municipalities does not take into consideration in examining the invisible underlying factors such as ruralness of the municipality, the poverty faced by municipalities and the huge unemployment rate due to the devastating effect of the COVID-19 pandemic. The Committee purports that the Equitable Share allocation needs to be based on sound costing framework for basic goods and services and also take into consideration current conditions of each province and that more resources need to be injected into local government as service delivery to communities is their core function.
- b) **Attracting Investors:** - for municipalities to attract investors and to be economically viable, the environment must be conducive in terms of the municipality being functional, (which must include the following- an action plan in place, sound internal controls, financial and human resource support from both National and Provincial Treasury and also commitment in achieving the objectives.

- c) **Gender Inequality:** - gender inequality remains a challenge (women and children continue to bear a disproportionate burden of challenges of poverty, unemployment, and inequality) and avenues needs to be explored to turn the gender equality commitments into reality in creating a gender responsive budget.
- d) **Infrastructure and Maintenance:** Focus should be balanced towards more infrastructure development and maintenance as economic multi-players to create an environment where sustainable economic growth is improved.
- e) **Public Wage Bill** in the Free State remain a concern. Even though essential human capital in social services (i.e. health, social development and education) are vital, Municipalities need to address issues relating to Compensation Of Employees and service delivery improvements as a direct result of such expenses.
- f) **Municipalities should note recommendations made by FFC regarding:**
 - (i) Attraction of investments by prioritizing options that come with little or no price tags • Revenue enhancements through creating new revenue generating infrastructure • Embracing E- government to improve revenue collection.
 - (ii) Relationships between municipalities and Waterboards and the increasing levels of intergovernmental debt should be regarded as a cause of growing concern and stumbling blocks towards service delivery and basic human rights to access to water.
- (g) **Allocation of Conditional Grants:** It is not clear whether allocations are based on impact assessment studies conducted or allocated on the historical norm.
- (h) **Cost of providing services:** Municipal services are relatively expensive and put pressure on the allocation of the Province (for example; the Xhariep District Municipality is not economically viable). The allocation must therefore be biased and interventionist
- (i) **Delay in approving business plans:** The delay by National Treasury in approving Department Business Plans, has a negative impact on the timeous and effective spending of conditional grants as it might result in roll-overs, forfeiture of funds to other provinces.
- (j) **Revenue collection:** When the Division of Revenue is compiled, it does not take into consideration the municipalities that are poor and distressed due to their inability to collect revenue from the poverty-stricken communities.

- (k) **Municipal debt:** The Committee appreciates the commitment by the Province to pay municipal debt, however it should be looked into to enforce Departments to commit to their payment agreements with municipalities failing which, punitive measures must be instituted.
- (l) **Presidential Youth Employment Initiative:** The Committee appreciates the adjusted allocation of the Presidential Youth Employment Initiative to address youth unemployment, but however the Committee is of the opinion that the funds could have been better reprioritized or channeled towards service delivery issues or to ease financial pressures experienced by the Departments and municipalities.
- (m) **Consequence management:** Despite the Public Audit Amendment Act being clear on consequence management application, municipalities and departments are still struggling in this area.

The Portfolio Committee votes in favour of the Bill.



HON TP MEEKO
CHAIRPERSON OF PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS & FINANCE
FREE STATE LEGISLATURE

02 December 2021