

# Limpopo Legislature

## OFFICE OF THE SECRETARY


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### NEGOTIATING MANDATE

<b>To</b>	:	The Chairperson: SC on Appropriations
<b>Name of Bill</b>	:	Division of Revenue Bill
<b>Number of the Bill</b>	:	[B02 - 2013]
<b>Date of Deliberation</b>	:	02 April 2013
<b>Vote of the Legislature</b>	:	Provincial NCOP Permanent Delegates to negotiate in favour of the Bill.
 ..... <b>HON. C.S SEKOATI</b> <b>COMMITTEE CHAIRPERSON</b>		03-April-2013 ..... <b>DATE</b>

**NEGOTIATING MANDATE OF THE PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY ON  
DIVISION OF REVENUE BILL, 2013 [B2-2013]**

**1. INTRODUCTION**

The Division of Revenue Bill 2013, [B2-2013] was referred to the Legislature by the NCOP on 28 February 2013. The Legislature referred it to the Portfolio Committee on Provincial Treasury for consideration and to confer a negotiating mandate to NCOP Permanent Delegates.

**2. PURPOSE OF THE BILL**

The Bill seeks to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2013/14 financial year and the responsibilities of all three spheres pursuant to such division; and to provide for matters connected therewith.

**3. CONSIDERATION OF THE BILL**

The NCOP Permanent Delegate together with National Treasury, in the presence of Provincial Treasury; briefed the Portfolio Committee on Provincial Treasury on the principle and provisions of the Bill during a meeting held on 20 March 2013.

**4. FINDINGS**

**4.1 BRIEFING BY NCOP AND NATIONAL TREASURY**

During the briefing by NCOP and National Treasury, the Committee found that the Bill consists of 39 clauses and 7 Schedules.

The main amendments to the 2012 Act included the following:

- Strengthening provisions on infrastructure grants; i.e provincial infrastructure grant reforms, health infrastructure, human settlements and infrastructure rehabilitation and reconstruction costs following a disaster.

- Continued operation of Act after commencement of the new national and provincial financial years up to enactment of the new Division of Revenue Act.
- Framework for providing exemptions on any condition in Act and/or conditional grant framework.
- Improving linkages between sections.

The Bill made the following changes to Provincial Conditional Grants:

- New Provincial Roads Maintenance grant formula is based on provincial road networks, road traffic and weather conditions.
- Reforms to health grants to provide greater flexibility.
- Devolution of Property Rate Funds grant was phased into equitable share.
- New provincial infrastructure grant system.
- Human Settlements development Grant.
- 2014 African Nations Championship health and medical services grant.

The Bill also made the following changes to the structure of Local Government Conditional Grants:

- New grants; i.e. Municipal Water Infrastructure Grant, Public Transport Network Operations Grant, Integrated City Development Grant, 2014 African Nations and Championships Host Cities Operating Grant.
- Rural Households Infrastructure Grant will become a direct grant.
- MIG formula updated with Census 2011 data (phased in over MTEF).
- Structure of local government infrastructure grants will be reviewed in 2013.

The Committee found that 47.6 % of equitable share goes to national departments, 43.5 % to provinces whereas 8.9% goes to local government. In other words, equitable share to

national departments amounts to R452, 530 billion, to provinces R414, 152 billion and local government share amounts to R84, 651 billion. Limpopo Province received R41, 362 billion of the equitable share and R7, 179 billion as conditional grants.

#### **4.2 COMMENTS ON THE BILL**

The Committee made the following comments:

- While an increment in conditional grants was noted, lack of capacity to spend on these grants was raised as a concern.
- There is a need for collaborative system within municipalities (comprised of active citizenship participation in municipal activities) to drive the process of development in the local government sphere. Further that empowerment is necessary particularly on project management units.
- The budget is credible and appreciated to cater for some of the provincial needs.


#### **5. RECOMMENDATIONS**

Informed by discussions held with NCOP and National Treasury, the Committee recommends that:

- 5.1 Parliament and Provincial Legislatures should continuously monitor the expenditure on conditional grants.
- 5.2 National Departments and Provincial Treasuries should continuously empower provincial departments and municipalities to efficiently spend on their allocations.
- 5.3 Treasury should ensure that there is effective monitoring and accountability instrument during budget implementation.

#### **6. NEGOTIATING MANDATE**

The Portfolio Committee having considered the Bill hereby confer a negotiating mandate to the National Council of Provinces' Permanent Delegates to negotiate in favour of the Bill with recommendations of the Committee.

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**HON C.S SEKOATI**

**CHAIRPERSON: PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY**