

Select Committee on Appropriations Recommendations on the 2015 Division of Revenue Bill

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national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Outline

- Background
- Recommendations and summary of responses
 1. Alignment of budgets with core priorities
 2. Unfunded mandates
 3. Efficient spending of conditional grants
 4. Human Settlements conditional grants
 5. Municipal debts
 6. Withholding of funds
 7. Scholar transport
- Conclusion

Background

- The Division of Revenue Bill was tabled on 25 February 2015
- The Bill was passed by the National Assembly on 12 March 2015
- The Select Committee on Appropriations and 9 provincial legislatures held hearings on the Bill
- The Select Committee tabled its report in the National Council of Provinces on 5 May 2015
 - The National Council of Provinces passed the Bill and adopted the committee's report
 - The Report contained 7 recommendations
- The Bill was enacted on 1 June 2015 as Act 1 of 2015

Recommendation 1 - Alignment of budgets with core priorities

The National Treasury should exercise its Constitutional mandate to ensure that the budgets of the various spheres of government are in compliance with the core priorities as outlined by the National Development Plan; the 2014-2019 Medium Term Strategic Framework, The Provincial Growth and Development Strategies and Municipal Integrated Development Plans.

- National Treasury agrees that it has an important role to play in providing oversight and guidance for provincial and municipal budget processes. In carrying out this mandate, National Treasury must also respect the decision making powers of the other two spheres of government to set their own priorities and budgets.
- National government uses several mechanisms to influence priorities in other spheres:
 - National departments have the power to set norms and standards
 - The Constitution requires provinces and municipalities to participate in national programmes
 - Some national priorities are also funded through conditional grants
 - National Treasury also uses the process of benchmarking provincial and local government budgets to ensure that national priority programmes are adequately budgeted for
 - Intergovernmental forums are also used to discuss and agree on budget priorities between the spheres
 - National and provincial governments also have a responsibility to support and strengthen the capacity of municipalities

Recommendation 2 - Unfunded mandates

Financial and Fiscal Commission should also be involved in the ongoing discussion between National Treasury and South African Local Government Association on the issues of unfunded mandates within municipalities.

- National Treasury agrees with this recommendation and will include the Financial and Fiscal Commission in all interdepartmental discussions on unfunded mandates.
- The Budget Forum agreed in July 2015 that uncertainties and inconsistencies in the assignment of functional responsibilities is the root cause of many unfunded mandates and has requested the Department of Cooperative Governance (DCoG) to lead a process to respond to these issues. The FFC participated in the preparations for this item at the Budget forums and will be involved in the discussion of the outcomes of the process being managed by DCoG.

Recommendation 3 – Efficient spending of conditional grants

National Treasury and other sector departments administering conditional grants should introduce innovative measures that will ensure efficient, effective and economical spending of such grants.

- National Treasury agrees on the importance of continuing to improve the efficiency and effectiveness of spending on conditional grants.
- The review of local government infrastructure grants is intended to improve grant implementation by:
 - Restructuring grants to better align the incentives for municipalities to implement cost-effective infrastructure
 - Improving the oversight and support offered by national departments.
- In the 2016 budget process National Treasury will pay closer attention to the capacity departments devote to managing conditional grants:
 - NT will encourage departments to reprioritize additional resources towards grant administration
 - Additional capacity should enable grant administrators to be more innovative in the way oversee and provide support for the implementation of grants.
- Incentives in provincial infrastructure grants encourage improved performance by requiring and rewarding improvements in the preparation and planning that must be done to make efficient and effective spending possible.

Recommendation 4 – Human Settlements conditional grants

National Treasury should facilitate a process whereby stakeholders can interact in order to resolve the outstanding issues relating to both the Human Settlements Development Grant and the Municipal Human Settlements Capacity Grant.

- National Treasury agrees that processes are needed to resolve outstanding issues on these grants.
- National Treasury and the Department of Human Settlements agreed on the 2015/16 grant framework and allocations for the Municipal Human Settlements Capacity Grant and any further changes to the grant will be discussed as part of the 2016 budget process.
- National Treasury has proposed that the Human Settlements Development Grant be reviewed as an extension of the review of local government infrastructure grants that is already underway.

Recommendation 5 - Municipal debt

National Treasury should facilitate discussion among the relevant stakeholders to look into the issue of municipal debts. Such stakeholders should include, but may not be limited to, the National Treasury, the South African Local Government Association, the Financial and Fiscal Commission and the Department of Cooperative Governance and Traditional Affairs.

- National Treasury agrees on the importance of consultation on this issue.
- National Treasury, DCoG, SALGA and the FFC have met several times to discuss these issues and worked together to prepare an input on this item that was presented to the Budget Forum on 8 June 2015.
- National Treasury has also invited DCoG and SALGA to participate in the meetings with municipalities affected by the withholding of the equitable share. Once this process has been concluded, National Treasury will write up a document drawing out the lessons learnt from this process.

Recommendation 6 - Withholding of funds

National Treasury should brief Parliament about the situation with regard to the municipalities whose equitable share have been stopped.

- Officials from National Treasury made presentations to the Select Committee on Appropriations as per the Committee's recommendations on 21 April 2015 and 13 May 2015.
- In addition to the briefings to Parliament, presentations were also made to the following forums: Presidential Coordinating Committee (12 June 2015) and Technical Presidential Coordinating Committee (28 May 2015); Portfolio Committee for Cooperative Governance and Traditional Affairs (12 May 2015); and the Forum of South African Directors General (4 May and 1 June 2015).

Recommendation 7 - Scholar transport

National Department of Transport and the Department of Basic Education should brief Parliament on the latest developments regarding finalization of the scholar transport policy.

- This recommendation applies to the Department of Transport and the Department of Basic Education.
- Cabinet approved a new National Learner Transport Policy in May 2015.

Conclusion

- National Treasury appreciates the oversight work and recommendations of the SeCOA Committee
- Formal responses from the Minister of Finance will be submitted before the MTBPS is tabled
- Further progress in addressing some of these policy issues will be seen in the 2016 Division of Revenue Bill

THANK YOU