



GAUTENG
LEGISLATURE
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FINAL VOTING MANDATE

TO: The Chairperson of the National Council of Provinces.

Hon T Modise

NAME OF BILL: Division of Revenue Bill

NUMBER OF BILL: [B2-2016]

DATE OF DELIBERATION: 21 April 2016

VOTE OF THE LEGISLATURE:

The Gauteng Provincial Legislature supports the principle and detail of the bill and therefore votes in favour of-

- Division of Revenue Bill

HON NTOMBI MEKGWE

SPEAKER

GAUTENG PROVINCIAL LEGISLATURE

Date: 26/04/2016



FINANCE PORTFOLIO COMMITTEE

**REPORT ON THE FINAL VOTING MANDATE ON THE DIVISION OF REVENUE
BILL [B2-2016] - Section 76**

26 APRIL 2016

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The Chairperson of the Finance Portfolio Committee (Portfolio Committee), Mr S Khumalo tabled a report on the Final Mandate of the Division of Revenue Amendment Bill [B2-2016] (the Bill) in accordance with Rule 204 read with Rule 167, as follows.

1 INTRODUCTION

The Bill is introduced in terms of section 76 of the Constitution of the Republic of South Africa, 1996 ("the Constitution") and it is widely referred to as a section 76 Bill.

The Bill is introduced annually to give effect to Section 214(1) of the Constitution and the Intergovernmental Fiscal Relations Act, 1990 ("IGFRA"). The Bill provides for the equitable Division of Revenue anticipated to be raised nationally among the National, Provincial and Local spheres of Government for the 2016/17 financial year.

The total revenue raised and to be shared amongst the three spheres of government, amounts to R1 318 338 000 in 2016/17, increasing to R 1 421 701 000 in 2017/18 and R1 540 035 000 in 2018/19 financial years respectively. It is noteworthy that the Gauteng Province receives an amount of R 98. 4 billion from the equitable share in the 2016/17 financial year.

2 PROCESS FOLLOWED

The Speaker of the Gauteng Provincial Legislature formally referred the Bill to the Finance Portfolio Committee ("Portfolio Committee") for consideration in terms of Gauteng Provincial Legislature Standing Rule 248(1) read with 250 (1) and 251.

On Thursday, 17 March 2016, the Portfolio Committee received a briefing on the Bill by the NCOP Gauteng Permanent Delegate Hon. T. Motara, who was supported by officials from National Treasury.

As required by the Standing Rules of the Gauteng Provincial Legislature, the Portfolio Committee invited stakeholders to their meetings mainly to observe Committee proceedings and later make verbal or written submissions. The Portfolio Committee also held public hearings on the Bill on Friday, 08 April 2016. Submissions were received from South African Local Government Association (SALGA), Federation of Unions of South Africa (FEDUSA) and other stakeholders.

On Tuesday, 12 April 2016, the Committee deliberated on the Bill. After deliberations, the Committee adopted its report on the negotiating mandate of the Bill to be tabled at the NCOP plenary.

On Wednesday, 20 April 2016, the Committee received minutes from the Select Committee of Appropriation on the consideration of negotiating mandates on the Division of Revenue Bill [B2-2016], which confirmed that there were no amendments to the Bill, as referred. In the same meeting the Portfolio Committee deliberated on and adopted a report on the Final Mandate on the Division of Revenue Bill [B2-2016].

The Committee will table the report on the Final Mandate on the Division of Revenue Bill [B2-2016] in the House on Thursday, 26 April 2016.

3 PRINCIPLE OF THE BILL GOVERNMENT'S POLICY PRIORITIES FOR THE 2016/17 MTEF

To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2016/17 financial year, the determination of each province's equitable share and allocations to provinces, local government and municipalities from

national government's equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.

The allocations to the three spheres of government for the 2016/17 financial year and MTEF are mainly informed by the government priorities outlined in the Medium Term Strategic Framework (MTSF) priorities funded through reprioritisation over the MTEF including among others:

- Introducing appropriate incentives to upgrade and maintain provincial and municipal infrastructure.
- Extending HIV/AIDS intervention spending to include Tuberculosis.
- Completing the eradication of bucket sanitation systems in formal residential areas.
- Extending access to early childhood development center's through a new grant.

In addition, the Division of Revenue for the 2016/17 financial year is mainly in line with the recommendations made by the Financial and Fiscal Commission ("FFC"), which is mandated by Section 220 of the Constitution to provide information to all organs of state in order to make informed decisions about complex fiscal matters. The FFC consults on these matters with all the three spheres of government.

4 CONSTITUTIONAL AND STATUTORY FRAMEWORK

Section 214 of the Constitution requires that an Act of Parliament must provide for:

- The equitable division of revenue raised nationally among national, Provincial and local spheres of government;
- The determination of each province's equitable share of the provincial share of that revenue; and
- Any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and for any conditions on which those allocations may be made.

Further than this, section 7(3) of the Money Bills Amendment Procedure and Related Matters Act, 2009, requires the introduction of the Division of Revenue Bill at the same time as the Appropriation Bill is introduced.

The Bill seeks to amongst others, give effect to the provisions of Section 214 of the Constitution. These include national interest, debt provision, the needs of national government, flexibility in responding to emergencies, resource allocation for basic services and developmental needs, the fiscal capacity and efficiency of provincial and local government, the reduction of economic disparities, and the promotion of stability and predictability. It is noted in this regard that the bill is in alignment with the Constitution and other relevant statutory framework.

5 OUTCOME OF THE NEGOTIATING PROCESS

The Committee mandated Hon. Motara to table its report in favour of the Bill, with the following four recommendations:

- 5.1 That despite reductions to the baseline, existing budgets needs to be reprioritised to meet government's policy priorities outlined in the Medium term Strategic Framework;**

5.2 In view of the cost of public services growing faster than the government transfers, provincial and local governments needs to strengthen efforts to work more efficiently, reduce non-core expenditure and increase funding from own revenue; and

5.3 In light of the reduction in the Comprehensive Agriculture Support Programme Grant, which is going down by R210 million over the MTEF, the province should ensure there is sufficient funding from within its own programmes to mitigate the effects of the possibility of a long term drought and its impact on agriculture in Gauteng.

5.4 Gauteng's equitable share reaffirms the fact that it remains the most populous province over the 2016 MTEF and therefore the need for its allocation to be commensurate with the population.

All nine provinces voted unanimously in favour of the Division of Revenue Bill [B2-2016] as referred and the National Treasury undertook to respond to the recommendations by provinces.

6 OPINION OF THE PROVINCIAL EXECUTIVE COUNCIL ON THE BILL

The Portfolio Committee notes that the Division of Revenue Bill and its underlying allocations are the results of extensive consultation between national, provincial and local government. The Gauteng Provincial Treasury on behalf of the Provincial Executive Council is satisfied that the 2016 Division of Revenue Bill has adequately given expression to a fragile economic outlook faced by the country.

7 SOCIO-ECONOMIC IMPACT

The primary aims of the social protection function are to provide a social safety net to all South Africans, particularly the young, elderly or disabled, and reform and standardize practices in the social welfare sector. These are in line with the National Development Plan's (NDP) call to work towards broader social protection. This priority accounts for 12, 9% of total government's expenditure over the MTEF period.

The Portfolio Committee notes with appreciation that the 2016 Budget responds to new spending requirements within a reduced expenditure ceiling without compromising social expenditure.

8 FINANCIAL IMPLICATIONS OF THE BILL

The 2016 budget projects medium term allocations of R1.327 trillion to the provincial equitable share, this is R14.9 billion lower than the 2015 Medium Term Budget Policy Statement (MTBPS) estimate. The Portfolio Committee notes that the R3.3 billion and R11.6 billion is trimmed from conditional grants and equitable share to fund emerging priorities and to support fiscal consolidation respectively. Of importance to note, is that the baseline reductions were shared across the three spheres of government in proportion to the division of revenue. Notwithstanding reductions in budget estimates, allocations are still higher than the indicative amounts projected in the 2015 budget, by R5.4 billion in 2016/17FY and R12.9 billion in 2017/18 FY.

The financial implication with regard to the provincial equitable shares is that the total revenue raised and to be allocated between the three spheres of government, amounts to R1 318 338 000 in 2016/17, increasing to R1 421 701 000 in 2017/18 and R1 540 035 000 in 2018/19 financial years respectively. Of importance, the Portfolio Committee also notes that these allocations takes into consideration government's spending priorities, each sphere's revenue raising

capacity and responsibilities, and input from various intergovernmental forums and the FFC.

Table 1: Total Transfers to provinces, 2016/17

R million	Equitable Share	Conditional Grants	Total Transfers
Eastern Cape	58 060	10 243	68 304
Free State	22 995	6 816	29 811
Gauteng	79 600	18 839	98 439
Kwa-Zulu Natal	87 898	17 489	105 387
Limpopo	48 709	7 120	55 829
Mpumalanga	33 450	6 987	40 437
Northern Cape	10 863	3 751	14 614
North West	28 062	7 041	35 103
Western Cape	41 062	10 749	51 811
Unallocated	-	112	112
Total	410 699	89 146	499 844

Source: National Treasury

It is worth noting as represented in table 1 above, that Gauteng Province receives R79 600 000 from the equitable share allocation and R18 839 000 000 for conditional grants in 2016/17 financial year which amounts to R98 439 000 000.

These allocations take into consideration the government's spending priorities, the revenue raising capacity and responsibilities of each sphere of government, and input from various intergovernmental forums and the FFC. Furthermore, the provincial and local equitable share formulas are intended to ensure fair, stable and predictable revenue shares, and to address economic and fiscal disparities. **The Portfolio Committee further notes that despite the baseline reductions on conditional grants, there is an overall growth in direct conditional transfers to provinces over the MTEF period**

9 FINAL POSITION ADOPTED BY COMMITTEE

After due consideration, the Finance Portfolio Committee in accordance with Rule 167, adopted the report in support of the Division of Revenue Bill [B2-2016] Section 76, as referred and recommends its adoption by the House.

10 ACKNOWLEDGEMENTS

The Portfolio Committee extends gratitude to the Honourable MEC B. Creecy, the Head of Department Ms. S Tshabalala and officials of the Gauteng Provincial Treasury for their cooperation during the processing of the Bill.

Thanks and appreciation to all Members of the Finance Portfolio Committee, Ms. C. Ranoka; Mr. M. Kanyane; Ms. B. Mncube; Ms. J. Pekane; Mr. M. Moriarty; Ms. A. Randall; Mr. A. Sarupen; and Ms. M. Mashego.

Appreciation and gratitude also go to the following Legislature officials: Senior Committee Coordinators Mr. J. Ntsane and Ms. M. Mojapelo; Researcher Ms. L. Setle; Research Intern Ms. L. Qasha; Media Officer, Mr. A. Dikola; Committee Administrators Mr. Z. Mabuza and Ms. C. de Beer; Service Officer Ms. R. Msimanga; Catering Assistant Ms. E. Nthene; and Hansard Recorder Ms. R. Singh.