



Committee Services

Our reference:
Ons verwysing:
Tshupo ya rona:

FREE STATE LEGISLATURE

**PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS & FINANCE
NEGOTIATING MANDATE**

TO: Chairperson of the Select Committee on Appropriations

NAME OF BILL: Division of Revenue Bill

NUMBER OF BILL: B4-2017

DATE OF DELIBERATION: -02 May 2017

VOTE OF THE LEGISLATURE:

The Portfolio Committee on Public Accounts and Finance as designated by the Free State Legislature:

- a) The Portfolio Committee requests that the current Equitable Share formula be reviewed as it is not biased towards rural and poor municipalities
- b) In terms of Section 214 (2) of the Constitution all inputs received from provincial governments, organized local government and Financial and Fiscal Commission should be considered before the Bill is tabled in the National Assembly.
- c) The basic service component as contained in the provincial equitable share formula should be reviewed in order to consider the burden of additional basic service that Free State Province renders and, in addition, the entire provincial equitable share formula should be reviewed in order to address the province specific funding needs as a result of its transit status.

- d) National Treasury should include unfunded mandates of certain municipalities e.g. library functions.
- e) Funding of district municipalities should be reviewed in order for it to support and coordinate the local municipalities in their respective districts.
- f) Intergovernmental relations are not functional and effective due to poor political leadership.
- g) That, the allocation to the Basic Education should be increased in order to address the huge backlog with regard to the nutritional support to learners.
- h) That, National Treasury must ensure that sufficient allocation of the Water Service Infrastructure grant to the Free State Province is effected due to the severe water shortages and the crippling drought which affects rural communities in the Free State Province.
- i) That, in terms of the bucket eradication grant, the Free State Municipalities especially Setsoto, Tokologo, Masilonyana and Ngwathe Local Municipalities should not be penalized due to inability of the national departments responsible for the infrastructure in terms of these indirect grants to deliver. The allocation must be redistributed within the Free State Municipalities given the huge backlog.
- j) That, the grant for Provincial Road Maintenance must be increased to a level where it addressed the backlog due to the Province being a corridor Province.
- k) That, the allocation of Disaster Drought Relief Grant to the Free State Province is insufficient, and, must be increased and rather be in the form of a direct grant to the Provincial Department of Agriculture and Rural Development to ensure sufficient distribution.

The Portfolio Committee votes in favour of the Bill.



HON. C.J. VAN ROOYEN
CHAIRPERSON OF PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS &
FINANCE
FREE STATE LEGISLATURE

**REPORT OF THE PORTFOLIO COMMITTEE ON PUBLIC
ACCOUNTS AND FINANCE TO THE FREE STATE
LEGISLATURE WITH REGARD TO THE
DIVISION OF REVENUE BILL
[B4-2017]**

02 MAY 2017

TO THE HONOURABLE SPEAKER AND HONOURABLE MEMBERS OF THE FREE STATE PROVINCIAL LEGISLATURE

The Portfolio Committee on Public Accounts and Finance herewith submits the report and recommendations with regard to the Division of Revenue Bill [B4 – 2017] to the Free State Legislature.


The Portfolio Committee would like to acknowledge the assistance of Officials from National Treasury for their sterling service and valuable contribution during consideration of the bill.

MEMBERS:



VAN ROOYEN, C. J
CHAIRPERSON

JANSE VAN VUUREN, D.



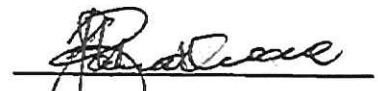
PHUKUNTSI, K.R.

MEEKO, T.P.



MOKOTLA, M. M.

MORAPELA, K.



RAMOKHOASE, T. R. J. E.

WESSELS, W.

TABLE OF CONTENTS

- 1. INTRODUCTION**
- 2. MEMBERS OF THE PORTFOLIO COMMITTEE**
- 3. PUBLIC PARTICIPATION AND ADVERTISEMENTS**
- 4. OVERVIEW OF THE DIVISION OF REVENUE BILL**
- 5. OBJECTIONS RAISED DURING THE CONSIDERATION OF THE BILL**
- 6. RECOMMENDATIONS BY THE PORTFOLIO COMMITTEE**

1. INTRODUCTION

The Division of Revenue Bill [B4– 2017] was referred to the Portfolio Committee on Public Accounts and Finance for consideration and report back.

The Bill seeks to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2017/18 financial year, the determination of each province's equitable share and allocation 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.

2. MEMBERS OF THE PORTFOLIO COMMITTEE

The Portfolio Committee comprises of the following Members:

Janse Van Vuuren, D.	(Member)
Meeko, T.	(Member)
Mokotla, M.M.	(Member)
Morapela, K.	(Member)
Phukuntsi, K.R.	(Member)
Ramokhoase, T.R.J.E.	(Member)
Van Rooyen, C. J	(Chairperson)
Wessels, W.	(Member)

3. PUBLIC PARTICIPATION AND ADVERTISEMENTS

Advertisements were placed in the following newspapers:

- a) The Mail (31th March 2017)
- b) The Weekly (06th March 2017)
- c) Courant (30th March 2017)
- d) Dumelang News
- e) Public Eye

The purpose of the advertisements was to afford members of the public and stakeholders with an opportunity to submit written and/or oral submissions regarding the Bill. However, no written nor oral submissions were received from the public and stakeholders. Furthermore, copies of the advertisements are attached as Appendix 1.

4. OVERVIEW OF DIVISION OF REVENUE BILL

4.1 Briefing on the Division of Revenue Amendment Bill [B4-2017]

On the 04th April 2017, the Permanent Delegate of the NCOP and National Treasury briefed the Portfolio Committee regarding the contents of the Bill. The main purpose of the Division of Revenue Bill (DORB) seeks to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2017/18 financial year, the determination of each province's equitable share and allocation 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.

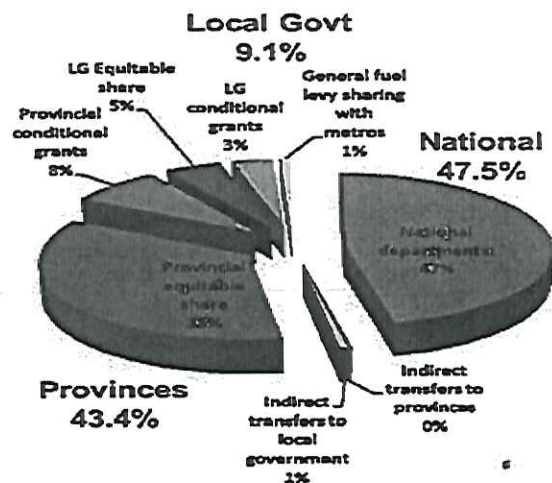
2017 MTEF Division of Revenue

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Average annual MTEF growth
	Outcome			Revised estimate	Medium-term estimates			
R billion								
Division of available funds								
National departments	453.4	490.0	546.1	557.5	590.2	631.4	681.6	5.9%
of which:								
Indirect transfers to provinces	2.7	3.0	3.5	3.7	4.3	4.8	5.0	-20.1%
Indirect transfers to local government	5.9	8.2	10.4	7.8	7.3	7.6	8.0	0.8%
Provinces	410.6	430.8	471.4	500.4	528.2	578.8	621.0	7.5%
Equitable share	336.5	359.9	388.5	410.7	441.3	471.5	506.1	7.2%
Conditional grants	74.1	79.0	84.9	89.7	90.8	107.1	114.9	8.6%
Local government	82.8	87.8	98.3	103.3	112.5	121.6	132.3	8.6%
Equitable share	39.0	41.0	49.4	51.2	57.0	62.7	69.3	10.0%
Conditional grants	34.0	35.8	38.3	40.9	43.7	46.3	49.8	6.8%
General fuel levy sharing with metros	9.0	10.2	10.7	11.2	11.8	12.5	13.2	5.5%
Non-interest allocations	948.8	1 017.1	1 116.8	1 151.1	1 240.9	1 331.5	1 434.0	7.3%
Percentage increase	7.8%	7.3%	8.7%	4.1%	6.8%	7.3%	7.8%	
Debt-service costs	101.2	114.8	128.8	146.3	162.4	180.7	197.3	10.5%
Contingency reserve	-	-	-	-	6.0	10.0	20.0	
Main budget expenditure	1 047.8	1 131.9	1 244.8	1 307.4	1 409.2	1 522.2	1 652.2	8.1%
Percentage increase	8.5%	8.0%	10.0%	5.0%	7.8%	8.0%	8.3%	
Percentage shares								
National departments	47.8%	48.2%	48.0%	48.0%	47.6%	47.4%	47.9%	
Provinces	43.4%	43.2%	42.9%	43.1%	43.4%	43.9%	43.3%	

Transfers to provinces and local government grow faster than national allocations over the MTEF

Summary of changes to the Division of Revenue

- Reductions for fiscal consolidation and reprioritisations for other priorities
 - R1.6 billion from the provincial equitable share (PES), R4 billion from provincial grants and R2.5 billion from LG grants
- Additions to ensure provinces and municipalities can serve growing populations
 - R7.3 billion to the PES (mainly for education and health)
 - R5.1 billion for the local government equitable share (for basic services, including a R1.8 billion provisional allocation)
 - R390 million added to the National School Nutrition Programme Grant and R1 billion to the Integrated National Electrification Programme Grant
- 2017 MTEF allocations for provinces grow at an average annual rate of 7.5% and allocations to LG grow at 8.6%



2017 Division of Revenue Bill Clauses (2 of 2)

Improving grant administration

- A new sub-clause is added to clause 35 that allows a transferring officer to delegate their powers and responsibilities in terms of this Act. This is intended to make grant management easier for national departments
- Delegations for transferring officers are subject to the same constraints as the delegations already allowed for the National Treasury and provincial treasuries

Technical changes to the Bill

- Adding a definition of 'integration zones'
- References to "level 3 accreditation" in the Bill will be changed to refer to "assignment" (to align with Human Settlements policy)
- Providing for implications of the time between enactment of the Act and the start of the municipal financial year on the timeframes for approval of business plans
- Reducing reporting requirements by no longer requiring the submission of draft capacity reports
- Clarification that withholding is done to prevent underspending by the receiving officer (and not the transferring officer)
- Provisions added to allow for non-payment or underpayments for the local government equitable share to be corrected

Provincial equitable share (2 of 4)

- Provincial Equitable Share formula for 2017 MTEF updated with data from 2016 mid-year estimates; 2016 School Realities Survey (SNAP survey); people without medical insurance from 2015 General Household Survey (GHS); and output data from the health sector
- PES Review continues in 2017/18. Consultation is ongoing with sector and provincial departments (Treasuries) on inclusions and changes to the formula. First round of recommendations are expected to be included in the 2018 Budget process.

Distributing the equitable share by province, 2017 MTEF							
	Education	Health	Basic share	Poverty	Economic activity	Institutional	Weighted average
	48.0%	27.0%	16.0%	3.0%	1.0%	5.0%	100.0%
Eastern Cape	15.1%	13.5%	12.6%	16.3%	7.6%	11.1%	14.0%
Free State	5.3%	5.3%	5.1%	5.2%	5.0%	11.1%	5.6%
Gauteng	18.0%	21.8%	24.1%	17.3%	34.3%	11.1%	19.8%
KwaZulu-Natal	22.3%	21.7%	19.8%	22.2%	16.1%	11.1%	21.1%
Limpopo	13.0%	10.3%	10.4%	13.6%	7.1%	11.1%	11.7%
Mpumalanga	8.4%	7.3%	7.7%	9.1%	7.5%	11.1%	8.1%
Northern Cape	2.3%	2.1%	2.1%	2.2%	2.1%	11.1%	2.7%
North West	6.5%	6.7%	6.8%	8.0%	6.5%	11.1%	6.9%
Western Cape	9.1%	11.3%	11.3%	6.1%	13.6%	11.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: National Treasury

Provincial equitable share (3 of 4)

- The extended cushioning effects as a result of the 2011 Census came to an end in 2016/17
- Phasing-in was effected to the newly calculated 2017/18 weights to ensure a smoother transition from a province's "proportion" share in current financial year (2016/17) to new share over the next MTEF (i.e. 2017/18 to 2019/20)

Implementation of the equitable share weights				
	2017/18 Indicative weighted shares from 2016 MTEF	2017/18	2018/19	2019/20
Percentage		2017 MTEF weighted shares 3-year phasing		
Eastern Cape	14.1%	14.0%	14.0%	14.0%
Free State	5.6%	5.6%	5.6%	5.6%
Gauteng	19.6%	19.6%	19.7%	19.8%
KwaZulu-Natal	21.2%	21.2%	21.2%	21.1%
Limpopo	11.8%	11.8%	11.7%	11.7%
Mpumalanga	8.2%	8.2%	8.2%	8.1%
Northern Cape	2.7%	2.7%	2.7%	2.7%
North West	6.9%	6.9%	6.9%	6.9%
Western Cape	10.0%	10.1%	10.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%

Provincial equitable share (4 of 4)

- Key trends in equitable share data updates
 - Education Component (48%)
 - Learner numbers increased from 12.8m in 2015 to 12.9m in 2016. GT recorded highest increase of learners (63 421), followed by WC and NW
 - Health Component (27%)
 - 3 components inform Health Share (Risk Adjustment 75% weighting, Hospital 20% and Primary Health Care 5%). Increased shares to GT, NC and WC
 - Basic Component (16%)
 - Population driven (mid-year population estimates). Increased shares to EC, GT and NV
 - Poverty Component (3%)
 - Increased shares to EC, GT, and NW
 - Economic Activity Component (1%)
 - Increased shares to GT, KZN and NC
 - Institutional Component (5%) – equally divided among provinces
 - Full impact
 - EC (-0.02%), FS (-0.01%), GT (0.15%), KZN (-0.09%), LP (-0.03%), MP (-0.07%), NC (0.00%), NW (0.00%) and WC (0.06%)

FS 2017 MTEF Provincial Allocations (1/2)

Free State Conditional Grant Allocations

R Thousands	2017/18	2018/19	2019/20	2017 MTEF
Total transfers to provinces	31 789 105	33 931 292	36 377 338	102 097 735
Provincial equitable share	24 521 541	26 284 534	28 165 434	78 971 509
Conditional grants	7 267 164	7 646 758	8 211 904	23 125 826
Agriculture, Forestry and Fisheries	237 635	253 809	262 734	774 178
Comprehensive Agricultural Support Programme Grant	168 592	179 476	206 339	553 407
Ima/Lesama Projects Grant	63 178	66 843	70 506	200 607
Land Care Programme Grant: Poverty Relief and Infrastructure Development	5 865	7 490	6 889	20 164
Arts and Culture	158 017	167 829	176 968	503 815
Community Library Services Grant	159 017	167 829	176 968	503 815
Basic Education	1 079 138	1 149 805	1 215 801	3 444 342
Education Infrastructure Grant	661 635	690 455	729 120	2 081 210
HIV and AIDS (Life Skills Education) Grant	13 980	14 790	15 518	44 388
Leaners With Profound Intellectual Disabilities Grant	11 308	28 864	34 360	74 592
Maths, Science and Technology Grant	33 741	38 127	38 160	108 034
National School Nutrition Programme Grant	358 412	379 369	398 357	1 136 138
Health	2 884 583	3 877 638	3 288 392	9 250 591
Comprehensive HIV, AIDS and TB Grant	1 148 408	1 322 225	1 434 680	3 905 313
Health Facility Revitalization Grant	552 167	491 134	518 638	1 561 929
Health Professions Training and Development Grant	166 973	175 599	166 430	527 002
Human Papillomavirus Vaccine Grant	-	11 608	12 258	23 866
National Tertiary Services Grant	1 018 025	1 077 070	1 137 385	3 232 481
Human Settlements	1 193 838	1 264 697	1 333 808	3 790 743
Human Settlements Development Grant (HSDG)	1 193 838	1 264 697	1 333 808	3 790 743

R Thousands	2017/18	2018/19	2019/20	2017 MTEF
Public Works	51 733	-	-	51 733
Expanded Public Works Programme Integrated Grant for Provinces	26 666	-	-	26 666
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	23 167	-	-	23 167
Social Development	35 887	47 130	49 840	132 856
Early Childhood Development Grant	18 388	25 903	27 346	71 647
Subsidy Component	9 358	15 545	16 413	41 317
Maintenance Component	9 030	10 358	10 934	30 330
Social Worker Employment Grants	3 252	3 519	3 003	10 574
Substance Abuse Treatment Grant	14 237	17 706	18 700	50 645
Sport and Recreation South Africa	95 755	34 893	36 589	167 217
Mixed Participation and Sport Development Grant	95 755	34 893	36 589	167 217
Transport	1 530 400	1 651 159	1 826 782	5 010 341
Provincial Roads Maintenance Grant	1 274 731	1 383 642	1 546 176	4 204 451
Public Transport Operations Grant	256 669	267 617	280 606	805 890
Allocations earmarked for flood repair:	-	-	-	-
<i>The allocations above include the following earmarked for repair of flood damage:</i>				
Comprehensive Agricultural Support Programme Grant	-	-	-	-
Education Infrastructure Grant	-	-	-	-
Health Facility Revitalisation Grant	-	-	-	-
Human Settlements Development Grant	-	-	-	-
Provincial Roads Maintenance Grant	-	-	-	-
MSDG allocations earmarked for mining towns:	83 136	73 898	64 600	221 633
<i>The MSDG allocations include the following earmarked additions for mining towns:</i>				
Matibeng	83 136	73 898	64 600	221 633
Moqhaka	-	-	-	-

Free State Grant Spending as at 31 January 2017

R Thousands	Total available	Total Payments	% Spent
Agriculture, Forestry and Fisheries	239 242	167 228	69.72%
Comprehensive Agricultural Support Programme Grant	174 289	101 392	58.17%
Ima/Letsamea Projects Grant	69 447	50 330	84.86%
Land Care Programme Grant: Poverty Relief and Infrastructure Development	5 506	5 506	100.00%
Arts and Culture	188 233	97 507	61.82%
Community Library Services Grant	158 233	97 507	61.82%
Basic Education	1 211 388	780 062	62.74%
Education Infrastructure Grant	811 351	388 867	47.83%
HIV and Aids (Life Skills Education) Grant	12 880	10 619	81.81%
Maths, Science and Technology	43 352	31 984	73.78%
National School Nutrition Programme Grant	343 685	328 532	95.69%
Cooperative Governance and Traditional Affairs	-	-	-
Provincial Disaster Grant	-	-	-
Health	2 832 281	2 043 480	77.63%
Comprehensive HIV and AIDS Grant	1 015 051	736 039	72.61%
Health Facility Revitalisation Grant	495 447	430 500	86.91%
Health Professionals Training and Development Grant	155 189	151 700	97.13%
National Health Insurance Grant	7 543	1 713	22.71%
National Tertiary Services Grant	958 021	723 309	78.61%

Free State Conditional Grant Spending as at 31 March 2016 (Audited)

R Thousands	Total available	Total Payments	% Spent
Agriculture, Forestry and Fisheries	237 181	236 072	99.11%
Comprehensive Agricultural Support Programme Grant	170 916	168 807	98.77%
Ima/letsame Projects Grant	60 990	60 990	100.00%
Land Care Programme Grant: Poverty Relief and Infrastructure Development	5 275	5 275	100.00%
Arts and Culture	161 320	160 854	99.71%
Community Library Services Grant	161 320	160 854	99.71%
Basic Education	1 248 325	1 112 604	89.13%
Education Infrastructure Grant	681 668	765 177	85.66%
HIV and Aids (Life Skills Education) Grant	11 181	11 457	102.47%
Maths, Science and Technology Grant	31 689	21 525	67.93%
National School Nutrition Programme Grant	318 112	318 670	100.18%
Occupation Specific Dispensation for Education Sector Therapists Grant	5 775	5 775	100.00%
Cooperative Governance and Traditional Affairs	-	-	-
Provincial Disaster Grant	-	-	-
Health	2 895 262	2 865 982	99.31%
Comprehensive HIV and AIDS Grant	911 605	911 681	100.02%
Health Facility Revitalisation Grant	608 505	578 971	95.15%
Health Professions Training and Development Grant	149 758	149 702	99.96%
National Health Insurance Grant	7 164	7 204	100.56%
National Tertiary Services Grant	918 332	919 434	100.12%

R million	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	Outcome			Revised estimate	Medium-term estimates		
Direct transfers	82 595	87 570	99 338	103 255	112 524	121 470	130 477
Equitable share and related ¹	38 964	41 592	49 367	51 169	57 012	62 732	67 473
Equitable share formula ²	34 268	36 512	44 211	45 719	51 328	56 723	61 138
RSC levy replacement	3 930	4 146	4 337	4 567	4 795	5 073	5 357
Support for councillor remuneration and ward committees	766	935	819	863	891	936	981
General fuel levy sharing with metros	9 613	10 190	10 659	11 224	11 785	12 469	13 167
Conditional grants	34 018	35 788	38 313	40 863	43 727	46 270	49 838
Infrastructure	32 412	34 187	36 888	39 120	41 777	44 274	47 775
Capacity building and other	1 606	1 621	1 448	1 743	1 950	1 995	2 062
Indirect transfers	5 945	8 250	10 370	7 824	7 338	7 596	8 015
Infrastructure	5 705	7 998	10 119	7 740	7 235	7 480	7 893
Capacity building and other	240	252	251	84	103	115	122
Total	88 541	95 820	108 708	111 079	119 862	129 066	138 481

1. Excludes provisional allocations

- Municipalities also raise substantial own revenues. On aggregate about 70% of municipal budgets are funded from own revenues, though in poorer parts of the country municipalities depend more on transfers (and hence receive larger transfers per household)

Presentation by SALGA during the public hearing

The representative from SALGA briefed the Portfolio Committee regarding the inputs on the DoRB 2017 which highlighted the backdrop of a challenging macro-economic outlook for the country, declining GDP projections and increasing fiscal pressures.

Furthermore, it was noted that this reality had both immediate and medium term implications for the fiscus and instruments for addressing the country's socio-economic needs and development imperatives

The need for the balancing of competing priorities whilst providing for the basics implies the need for adjustments by all spheres, better management of limited resources, increased accountability and innovation in finding alternative solutions in delivering services

Fiscal reforms to enable sustainable urban development, regional economic growth and sustainable rural development and ultimately towards truly developmental local government.

- i. Lobbying for a fiscal disaggregation system that compels recipient departments and state owned entities to account for their spatial deployment in terms of expenditure
- ii. Continue to lobby for an increase in the slice provided to the local sphere of government from the current 9.3%
- iii. Continue to lobby for a differentiated approach in the allocation of the fiscus to bridge the gap between rural poor parts of the country and urban areas
- iv. Lobby for a special funding dispensation to enable cities to appropriately mitigate the impact of urban sprawl
- v. There is a need to consider MFMA differentiated application for cities, districts / regional economies and smaller B3 and B4 municipalities
- vi. The move towards targeted infrastructure spend in an urban area or regional economy which encompasses all spheres of government, including state entities, rather than giving each entity, organ of state and department funding to 'do their own thing' in that space.

Furthermore, the Portfolio Committee noted the following:

- i. Size of the local government share of the division of revenue
- ii. Fairness of the equitable share formula
- iii. Inadequate transfers to support poorer municipalities
- iv. Municipalities aren't viable because they don't collect enough own revenues
- v. District municipalities are underfunded
- vi. Municipalities have many "unfunded mandates"
- vii. Municipalities struggle to collect revenue in Eskom-supplied areas

The intergovernmental fiscal system is designed to ensure each sphere is funded for the functions it is legally responsible for (subject to the limited resources available to the country).

If functional assignments are unclear, or if functions are performed by a different sphere to the one assigned the function in law, it is very difficult to assess the adequacy of the fiscal framework.

Crucially, national and provincial govts must support LG to play its developmental role by:

- urgently addressing the policy and legislative constraints which impedes efficient and swift people centered development approaches
- fiscal inefficiencies and financial practices that continue to undermine our developmental aspirations, and
- ensuring that national and provincial plans and budgets support integrated development in municipal spaces and in particular in our key economic centres.

SALGA to use its intergovernmental role in the NCOP and IGR structures to play a key role in promoting these issues and ensuring that local government is indeed at the centre of the cooperative governance system, for example:

- Conducting research and advocate for policy and regulatory reforms to enable integrated and coherent management of the urban system and regional economies to accelerate spatial transformation and integrated development;
- Advocating for, and support reforms to the intergovernmental fiscal and grant system to incentivise and enable better management of the urban system, regional economies and targeted infrastructure funding to boost economic growth and competitiveness.

Presentation by Youth Chamber of Commerce Industry of South Africa: Free State

The Chairperson, Mr Tsheliso Thinane presented their inputs regarding DoRB 2017. He further elaborated on the challenges facing the Youth Enterprise Development in the Province and Municipalities. Poor compliance and alignment with the Youth Enterprise Development Strategy (YEDS, 2013 – 2023) and Youth Employment Accord Conflict between PPPFA and YEA (Youth Set asides). Youth Unemployment (2016/17) support for Youth enterprise to combat youth unemployment and to stimulate the economy.

Increase of the municipal grants from (Chapter 3, Sub Chapter 8) to support more youth enterprises and to promote youth entrepreneurship.

More budget allocation to the Local Economic Development Offices (LED) of the municipalities.

Improved synergy between the DESTEA, Municipalities and DFIs – youth funding.

Improved financial oversight and monitoring.

Unspent Conditional Allocations:

22. (1) Despite a provision to the contrary in the Public Finance Management Act or the Municipal Finance Management Act, any conditional allocation, or a portion thereof, that is not spent at the end of the 2017/18 financial year reverts to the National Revenue Fund, unless the roll-over of the allocation is approved in terms of subsection (2).

Increase of the municipal grants from (Chapter 3, Sub Chapter 8) to support more youth enterprises and to promote youth entrepreneurship.

More budget allocation to the Local Economic Development Offices (LED) of the municipalities.

Improved synergy between the DESTEA, Municipalities and DFIs – youth funding.

Improved financial oversight and monitoring.

5. OBJECTIONS RAISED DURING THE CONSIDERATION OF THE BILL

The Portfolio Committee noted that Honourable D. Janse Van Vuuren (Democratic Alliance) objected and/or abstained from the process.

6. RECOMMENDATIONS RAISED BY THE PORTFOLIO COMMITTEE

The following recommendations were proposed and also included in the Negotiating Mandate:

- a) The Portfolio Committee requests that the current Equitable Share formula be reviewed as it is not biased towards rural and poor municipalities
- b) In terms of Section 214 (2) of the Constitution all inputs received from provincial governments, organized local government and Financial and Fiscal Commission should be considered before the Bill is tabled in the National Assembly.
- c) The basic service component as contained in the provincial equitable share formula should be reviewed in order to consider the burden of additional basic that Free State Province renders and, in addition, the entire provincial equitable share formula should be reviewed in order to address the province specific funding needs as a result of its transit status.
- d) National Treasury should include unfunded mandates of certain municipalities regarding library functions.
- e) Funding of district municipalities should be reviewed in order for it to support and coordinate the local municipalities in their respective districts.

- f) Intergovernmental relations are not functional and effective due to poor political leadership.

The Portfolio Committee recommends that the report on the Division of Revenue Bill, [B4 – 2017] be adopted by the House and proceed with the conferral of the Voting Mandate.