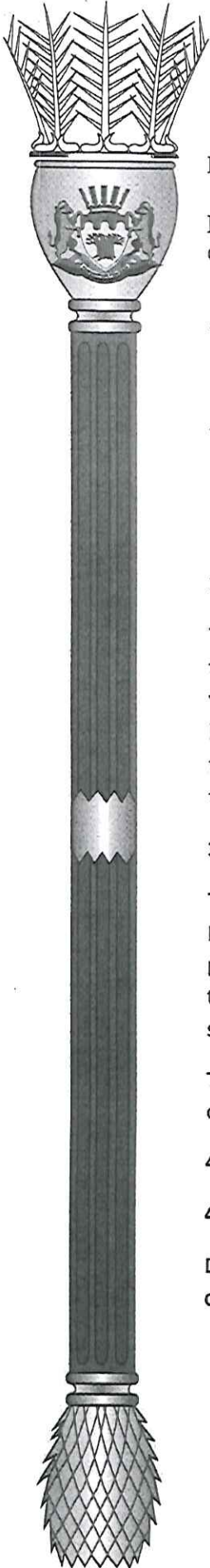


Limpopo Legislature

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NEGOTIATING MANDATE OF THE PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY ON DIVISION OF REVENUE BILL, 2017 [B4-2017]

1. INTRODUCTION

The Division of Revenue Bill 2017, [B4-2017] was referred to the Legislature by the National Council of Provinces (NCOP). 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 2017/18 financial year, the determination of each province' 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.

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 11 April 2017. Subsequent to the meeting, a public hearing was held as per attached report on inputs made by stakeholders.

The Committee met again on 25 April 2017 to consider and adopt negotiating mandate on the Bill.

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 sections and 7 Schedules.

It was found that changes to the Bill included amongst others, reductions for fiscal consolidation and reprioritisations for other priorities; additions to ensure that provinces and municipalities can serve growing populations and 2017 MTEF allocations for provinces with an average annual rate of 7.5% growth and allocations to local government at 8.6% growth.

Transfers to provinces

The Committee found that the total transfers to provinces amounts to R538 160 billion in 2017/18. Equitable share amounts to R441 331 billion whereas conditional grants amount to R96 829 billion. Of the total transfers, national government shared 47.6%, provinces shared 43.4% and local government shared 9.1%.

Provincial equitable share

Limpopo Province received R51 960 billion of the equitable share and R7 885 billion in conditional grants. Out of the weighted average of 100% in provincial equitable share, Limpopo received 11.8%.

The Committee found that there were reviews to the current provincial equitable share formula which will be effected in the 2018/19 Division of Revenue. It is the expectation of the Committee that such reviews would be in the best interest of provinces to deliver services.

Conditional Grants

It was found that there were changes to conditional grants which included amongst others; the new social workers grant to hire social worker graduates to improve access to social services, early childhood grant to improve access and conditions of services and learners with profound disabilities to improve education opportunities for learners with disability.

Local government equitable share

It was found that Limpopo local government equitable share amounts to R7.8 billion and conditional grants amount to R6.6 billion. It was also found that the value of the household subsidy for free basic services was updated annually to account for rising prices, including bulk water and electricity costs. Further that for 2017/18 financial year, the subsidy for electricity was based on the 8% price approved for MYPD3 – multi-year price determination, National Energy Regulator of South Africa (NERSA) approved a 2.2% increase, bulk water subsidies increased by 10.8% and other service costs are increased by consumer price index (CPI).

4.2 COMMENTS BY THE COMMITTEE

The Committee made the following comments:

- The allocation of R359 for poor households at local government sphere was not sufficient. Further that such allocations were manipulated and do not always benefit the intended beneficiaries.
- The census and community survey as guiding tools were viewed as insufficient to determine provincial allocations. The Committee was of the opinion that provincial estimates were overlooking undocumented citizens and mechanism to check the veracity of information supplied by such guiding tools were not assisting the process.
- Education of Early Childhood Development (ECD) grants were insufficiently funded at provincial level. The Committee was of the view that if they were sufficiently funded, such a move could contribute largely to the socio-economic development in the country.
- There were significant changes with respect to spending on conditional grants at provincial level as compared to previous financial years.
- The funding of Financial Management of Parliament and Provincial Legislatures Act (FMPPLA) was not clear in the Division of Revenue.

5. RECOMMENDATIONS


Informed by discussions and inputs made on the Bill, it was recommended that:

- 5.1 There should be differentiation on how communities benefit from the R359 allocation. This allocation should benefit the intended beneficiaries and appropriate systems should be developed to avoid manipulation thereof.
- 5.2 Tools guiding appropriation processes of equitable share to provinces should be regularly reviewed to ensure that informed allocations are made. Credibility of information pertaining the population index should be verified.
- 5.3 Research on curriculum development for ECD should be conducted in order to ensure that it is in the best interest of learners and the country. Therefore funding of ECD grants should be increased to meet the socio-economic needs of the country and Limpopo in particular.
- 5.4 Funding of FMPPLA should be made clear in the Division of Revenue Bill.

- 5.5 It is important for government departments to update immovable asset registers so as to enable Treasuries to assist municipalities by ensuring that rates and taxes owed by departments are paid accordingly to municipalities.
- 5.6 There should be an indicative criteria in the Bill for allocation of free basic services offered to municipalities.
- 5.7 National Treasury should find a way to enforce measures to deal with asset, repairs and maintenance budget at municipalities.

6. NEGOTIATING MANDATE

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



HON. M.S LEKGANYANE

CHAIRPERSON: PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY