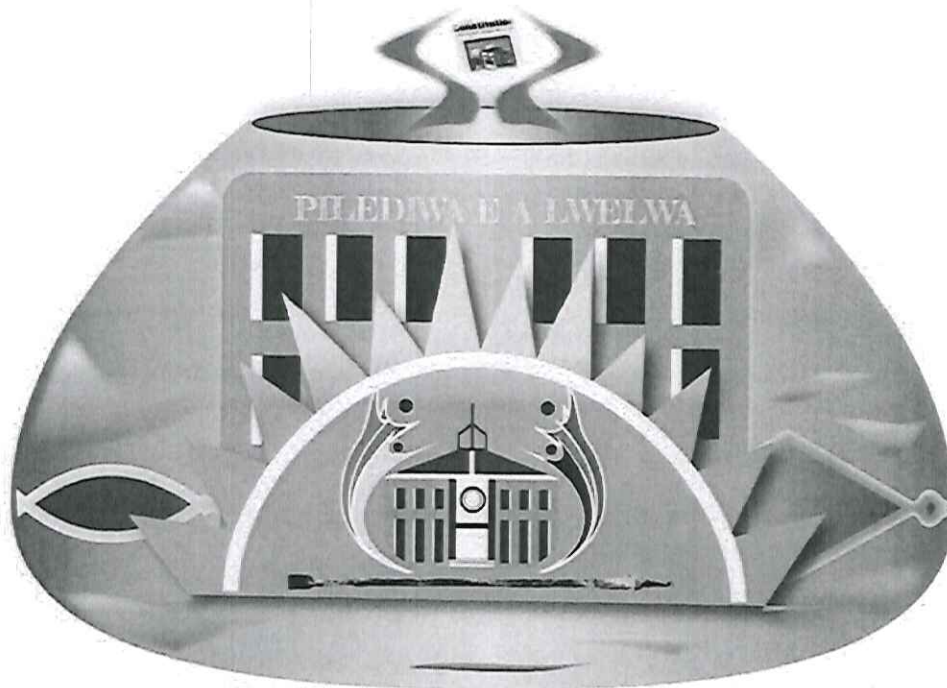


**PORTFOLIO COMMITTEE ON PREMIER, FINANCE, ECONOMY AND  
ENTERPRISE DEVELOPMENT**

---



**NORTH WEST PROVINCIAL LEGISLATURE**

**REPORT ON DIVISION OF REVENUE BILL [B 4 – 2017]**



**NORTH WEST PROVINCIAL LEGISLATURE**

### **NEGOTIATING MANDATE**

**TO : HON S J MOHAI**  
**CHAIRPERSON : 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 Premier, Finance, Economy and Enterprise Development supports the Division of Revenue Bill [B4 -2017].

The delegation representing the Province of the North West in the National Council of Provinces (NCOP) is conferred with the mandate to negotiate in favour of the Bill; taking into account the attached recommendations.

---

**HON. B.R. ELISHA**  
**CHAIRPERSON: PREMIER, FINANCE, ECONOMY**  
**AND ENTERPRISE DEVELOPMENT**

02/05/17  
DATE

TABLE OF CONTENTS

1.	INTRODUCTION	3
2.	PROCESS FOLLOWED	3
3.	OBJECTIVE OF THE BILL	3
4.	PRESENTATION BY NATIONAL TREASURY	3
5.	DELIBERATIONS ON THE PRESENTATION	8
6.	PUBLIC INPUTS/CONCERNS	9
7.	RECOMMENDATIONS OF THE PORTFOLIO COMMITTEE	10
8.	ACKNOWLEDGEMENTS	10
9.	ADOPTION OF THE REPORT	11

## ACRONYMS

ECD	EARLY CHILDHOOD DEVELOPMENT
GHS	GENERAL HOUSEHOD SURVEY
IDP	INTERGRATED DEVELOPMENT PLAN
LG	LOCAL GOVERNMENT
MTEF	MEDIUM TERM EXPENDITURE FRAMEWORK
NWPG	NORTH WEST PROVINCIAL GOVERNMENT
PES	PROVINCIAL EQUITABLE SHARE
PFMA	PUBLIC FINANCE MANAGEMENT ACT

## **1. INTRODUCTION**

The Constitution of the Republic of South Africa entrusts Legislatures with the responsibility to make laws. Section 76 of the Constitution of the Republic of South Africa further details the process to be followed in processing Bills that affect provinces. This is on the basis on which Public Hearings for the Division of Revenue Bill were conducted.

## **2. PROCESS FOLLOWED**

The Division of Revenue Bill [ B4 - 2017 ] was formally referred by the Speaker, Honourable S.R. Dantjie to the Portfolio Committee on Premier, Finance, Economy and Enterprise Development for consideration and reporting.

The Portfolio Committee received a presentation from the National Council of Provinces, Permanent Delegate, Hon. Motlashuping and National Treasury on the Division of Revenue Bill 2017 at a meeting held on 14 March 2017. Following the National Treasury briefing, the Committee embarked on Public Hearings throughout the province on 21 April 2017 as follows; Ngaka Modiri Molema District (Letsopa Community Hall - Ottosdaal), Bojanala District (Moretele Municipal Hall), Dr Kenneth Kaunda District (Mokati Community Hall - Kanana) and Dr Ruth Segomotsi Mompati District (Tlou le Tau Tribal Hall - Ganyesa). A total of 1 588 people were reached in various districts throughout the Province.

## **3. OBJECTIVE OF THE DIVISION OF REVENUE BILL, 2017**

To provide for the equitable share division of revenue raised nationally among the national, provincial and local spheres of government for the 2017/2018 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.

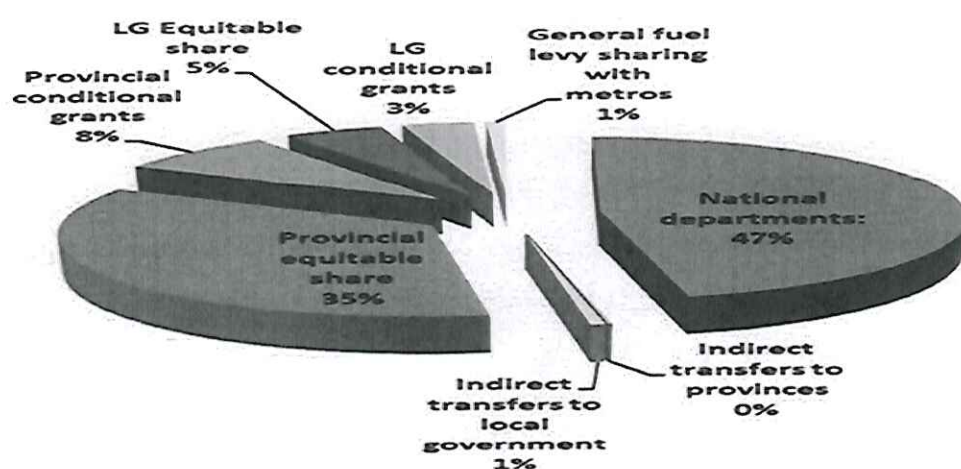
## **4. PRESENTATION BY NATIONAL TREASURY**

### **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%



#### TOTAL TRANSFERS TO PROVINCES FOR 2017/2018

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	61 848	11 297	73 145
Free State	24 522	7 267	31 789
Gauteng	86 643	20 828	107 471
KwaZulu-Natal	93 757	18 824	112 580
Limpopo	51 960	7 885	59 845
Mpumalanga	36 082	7 183	43 264
Northern Cape	11 720	4 289	16 009
North West	30 330	7 552	37 882
Western Cape	44 470	11 580	56 050
Unallocated	–	123	123
<b>Total</b>	<b>441 331</b>	<b>96 829</b>	<b>538 160</b>

Source: National Treasury

### Changes to conditional grants in 2017/18

- Baseline reduction of R3.9bn on direct grants but an addition of R2.6bn on indirect grants
  - Allocations still grow at a robust annual average rate of 8.6% over MTEF
- Incentive component has been implemented within the provincial roads maintenance grant to improve performance
- National School Nutrition Programme benefits from additional R390 million for mitigate food price inflation and additional learners
- New grants:
  - Social workers grant to hire social worker graduates to improve access to social services
  - Early Childhood grant will improve access and conditions of this service
  - Learners with profound disabilities grant to improve education opportunities for learners with disability

### Changes to equitable share in 2017/18

- 2017/18, baseline reduction of R500 million
- Over 2017 MTEF, baseline reductions of R1.6bn
  - Average annual growth rate is 7.2% over MTEF

## NEW GRANTS TO THE PROVINCIAL FISCAL FRAMEWORK STARTING 2017/2018

### Social Development

- **Early Childhood Development Grant**
- Aims to increase the number of poor children that benefit from ECD services by subsidising these services as well as increasing the infrastructural conditions under which ECD is delivered to children in need. **R1.3 billion** is allocated over 2017 MTEF.
- **Social Workers Grant**
- This grant aims to reduce the backlog in access to social services and reduce the backlog in the number of social worker graduates that remain unemployed while the need for social work across the country continues to increase.
- A total of **R591.3 million** is reprioritised from the national Department of Social Development's budget and allocated towards this new grant over the 2017 MTEF period.

### Education

- **Learners with profound intellectual disabilities grant**, improves educational access for learners with intellectual disabilities. The grant is allocated R72 million in 2017/18, R185.5 million in 2018/19 and R220.8 million in 2019/20
- To be used for therapeutic services, and human resources to provided the inclusive education
- Training teachers to support learners and to deliver appropriate learning programmes



## CHANGES TO THE IMPLEMENTATION AND ALLOCATION METHOD OF GRANTS

### Transport

- The provincial roads maintenance grant, like infrastructure grants in the health and education sectors now includes a performance component that incentivises appropriate levels of roads maintenance (so as to achieve preferred outcomes)
- The aim of the incentive component is to reward provinces according to the improvements they making in changing the conditions of their road networks.

## PROVINCIAL EQUITABLE SHARE

- 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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: National Treasury

- 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

Percentage	2017/18 Indicative weighted shares from 2016 MTEF	2017 MTEF weighted shares 3-year phasing		
		2017/18	2018/19	2019/20
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%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

*Source: National Treasury*

## 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 NW
- 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%)

## NORTH WEST 2017 MTEF PROVINCIAL ALLOCATIONS

<b>North West Conditional Grant Allocations</b>				
<b>R Thousands</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2017 MTEF</b>
<b>Total transfers to provinces</b>	<b>37 881 996</b>	<b>40 174 840</b>	<b>43 051 176</b>	<b>121 108 012</b>
<b>Provincial equitable share</b>	<b>30 329 643</b>	<b>32 472 636</b>	<b>34 857 190</b>	<b>97 659 469</b>
<b>Conditional grants</b>	<b>7 552 353</b>	<b>7 702 204</b>	<b>8 193 986</b>	<b>23 448 543</b>
<b>Agriculture, Forestry and Fisheries</b>	<b>240 383</b>	<b>251 465</b>	<b>280 558</b>	<b>772 406</b>
Comprehensive Agricultural Support Programme Grant	169 167	176 054	201 050	546 271
Ilima/Letsema Projects Grant	63 178	66 843	70 586	200 607
Land Care Programme Grant: Poverty Relief and Infrastructure Development	8 038	8 568	8 922	25 528
<b>Arts and Culture</b>	<b>141 092</b>	<b>148 864</b>	<b>181 418</b>	<b>471 374</b>
Community Library Services Grant	141 092	148 864	181 418	471 374
<b>Basic Education</b>	<b>1 560 790</b>	<b>1 485 380</b>	<b>1 566 752</b>	<b>4 612 922</b>
Education Infrastructure Grant	1 074 331	965 464	1 019 530	3 059 325
HIV and AIDS (Life Skills Education) Grant	17 825	18 859	19 915	56 599
Learners With Profound Intellectual Disabilities Grant	2 274	6 756	8 042	17 072
Maths, Science and Technology Grant	35 384	38 125	40 280	113 789
National School Nutrition Programme Grant	430 976	456 176	478 985	1 366 137
	<b>2 241 762</b>	<b>2 378 442</b>	<b>2 576 767</b>	<b>7 196 971</b>
<b>Health</b>				
Comprehensive HIV, AIDS and TB Grant	1 296 769	1 455 195	1 600 959	4 352 923
Health Facility Revitalisation Grant	558 261	500 821	528 867	1 587 949
Health Professions Training and Development Grant	119 194	126 107	132 452	377 753
Human Papillomavirus Vaccine Grant	–	13 264	14 007	27 271
National Tertiary Services Grant	267 538	283 055	300 482	851 075
<b>Human Settlements</b>	<b>2 186 679</b>	<b>2 272 399</b>	<b>2 343 861</b>	<b>6 802 939</b>
Human Settlements Development Grant (HSDG)	2 186 679	2 272 399	2 343 861	6 802 939

### 5. DELIBERATIONS ON THE PRESENTATION

The Committee deliberated as follows;

- 5.1 It appreciated the budget increase on transport and roads maintenance with an acknowledgement that there is still much to be done on this item.
- 5.2 That basic education is still characterized by an infrastructural backlog; hence the decision not to provide allocations for the outer years of the MTEF would exacerbate the situation. In this similar vein, issues of school overcrowding and learners having to attend classes under the trees were registered as point of concern.
- 5.3 It appreciated the introduction of the grant for learners with profound intellectual disabilities, and an emphasis was made that the grant should be biased towards African communities.
- 5.4 It appreciated the introduction of the grant meant to employ more social worker. In the same breadth, a clarion call was made to the effect that, this issue should be afforded an extreme urgency as the province is far short of providing desired social welfare services.

**9. ADOPTION OF THE REPORT**

The Portfolio Committee recommends that the House approve the passing of the Division of Revenue Bill, 2017 and mandate North West Permanent Delegate in the National Council of Provinces to vote in support of the Deivision of Revenue Bill [B 4 - 2017] as tabled by the Minister of Finance.

I therefore present to this House, the report of the Portfolio Committee on Premier, Finance, Economy and Enterprise Development for consideration and adoption.



---

**HON. B.R. ELISHA**  
**CHAIRPERSON: PREMIER, FINANCE, ECONOMY AND ENTERPRISE DEVELOPMENT**

02/05/17  
DATE



