



Northern Cape  
Provincial Legislature

## Portfolio Committee on Finance, Economic Development & Tourism

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Hon C De Beer  
Chairperson: Select Committee on Appropriations

### NEGOTIATING MANDATE

Name of the Bill: **Division of Revenue Bill**

Number of the Bill: **B2 – 2018**

Date of deliberation: **Thursday, 19 April 2018**

Vote of the Legislature: **The legislature votes in favour**

**(Subject to consideration of the proposed amendments)**

*p.p.* A handwritten signature in black ink, appearing to be 'SP Mabilo', written over a horizontal line.

Signature:

*Hon SP Mabilo*

*Chairperson: PC on Finance, Economic Development & Tourism*

2018 -04- 19

Date:



## PORTFOLIO COMMITTEE ON FINANCE, ECONOMIC DEVELOPMENT & TOURISM

### NEGOTIATING MANDATE ON THE DIVISION OF REVENUE BILL [B2-2018]

#### 1. INTRODUCTION

The Chairperson of the Portfolio Committee on Finance, Economic Development & Tourism Hon SP Mabilo tables the Committee's Report on the Division of Revenue Bill [B2-2018], as adopted by the Portfolio Committee on Thursday, 19 April 2018.

#### 2. PROCESS FOLLOWED

- 2.1 The Speaker of the Northern Cape Provincial Legislature has on receipt of the Bill referred the *Division of Revenue Bill, 2018* to the Portfolio Committee on Finance, Economic Development & Tourism.
- 2.2 On the 27 March 2018, the Portfolio Committee received a briefing on the Bill by Mr Steven Kenyon, Ms Noxolo Mbambo and Mr Jordan Maja from the National Treasury, as well the provincial NCOP Permanent Delegate, Hon C De Beer.
- 2.3 The public hearings were advertised in the Diamond Fields Advertiser, NC Express, Volksblad and Gemsbok. Radio adverts were also done on Radio NFM and Revival FM.
- 2.4 The Portfolio Committee engaged in public hearings in all five (5) regions of the Province, namely Namakwa and Pixley Ka Seme on Tuesday, 10 April 2018; Frances Baard and ZF Mgcawu on Wednesday, 11 April 2018; and John Taolo Gaetsewe region on Thursday, 12 April 2018.

#### 3. INPUTS FROM THE STAKEHOLDERS

- 3.1 The bill does not provide reasons why, the allocations through the Division of Revenue transfer is higher per capita/per household, only amounts to rural areas.
- 3.2 The bill is silent on what punitive measures should be instituted in instances where departments over- or under spend its budgets.

- 3.3 The bill is very lenient towards the settling of outstanding monies owed by government departments to municipalities. Provision must be made for more stringent measures to accelerate the settling of these debts.
- 3.4 The bill is not clear on the adjustment of funds to municipalities to enable struggling municipalities to address problem areas.
- 3.5 The reduction of some grants, especially the Municipal Infrastructure Grants in Local Government poses a big concern for viability of municipalities that do not have adequate revenue and should be increased.
- 3.6 The percentages that are deducted from the total allocations, namely 1% for Provinces and 3.5% for Local Government, can have a negative impact on the economy and measures should be put in place to prevent such event.
- 3.7 There are continuous challenges in terms of the allocations to Local Government where poor areas receive per capita /per household allocations and not according to a needs analysis to adequately develop the areas.
- 3.8 Stakeholders requires engagement on the Division of Revenue before the Bill is introduced for adequate inputs and not at this stage where funds have already been allocated.
- 3.9 There are municipalities that do not have the capacity to optimally spend allocations and should be regulated through a cooperative approach to spend funds.
- 3.10 The reduced Human Settlements Grant is a challenge considering that there is a serious backlog of houses with people still living in mud houses in certain areas in the Northern Cape.
- 3.11 The reduction of the Infrastructure Grant is also a challenge whilst the infrastructure is dilapidated at times due to a lack of funds and needs to be addressed.
- 3.12 There is drought in John Taolo Gaetsewe but was not declared a drought area and therefore requests to also receive funding for drought relief.

#### **4. STAKEHOLDER POSITION ON THE BILL**

- 4.1 The majority of the stakeholders voted in favour of the Bill.

**5. WRITTEN INPUTS ON THE BILL**

5.1 Written submission received from SALGA Northern Cape.

**6. COMMITTEE INPUTS ON THE BILL**

6.1 Although more funds have been allocated to poorer municipalities, a proper analysis should be done of the Northern Cape in order to address the challenges that are prevalent in the poorest areas.

6.2 More stringent measures should be regulated to ensure that Departments do not underspend on the allocated grants.

6.3 Some municipalities' spending of grants is not efficient and requires an adequate cooperative approach from all relevant stakeholders to ensure viability of these municipalities.

6.4 Unfunded mandates of municipalities are a concern and a process will have to be introduced to monitor their audit recovery plans.

6.5 Stringent measures should be put in place to address debt owed to municipalities by Departments.

6.6 Contingent liabilities of certain departments are not provided for and should be addressed.

6.7 The review of the current way government does provincial allocations of the equitable share in order to assist struggling provinces like the Northern Cape should be expedited.

6.8 There should be efficient management of the spending of Municipal Infrastructure Grants at municipalities and ensure that it is used for the intended purposes.

After due deliberation, the Portfolio Committee on Finance, Economic Development & Tourism supports the bill.

**7. COMMITTEE ADOPTION ON THE BILL**

The Committee adopted this negotiating mandate duly signed by the Chairperson of the Committee, Hon SP Mabilo.

The Committee recommends to the House to mandate the Permanent Delegates to participate in deliberations at the negotiating stage and to **support** the Bill.



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**HON SP MABILO  
COMMITTEE CHAIRPERSON**