



NORTH WEST PROVINCIAL LEGISLATURE

NEGOTIATING MANDATE

TO : HON D.G. MAHLANGU
CHAIRPERSON: SELECT COMMITTEE ON
APPROPRIATIONS

NAME OF BILL : DIVISION OF REVENUE AMENDMENT BILL

NUMBER OF BILL : B 15 - 2019

DATE OF DELIBERATION : 22 NOVEMBER 2019

VOTE OF THE LEGISLATURE : The North West Provincial Legislature votes in
favour of the Division of Revenue Amendment Bill
[B 15 - 2019]

HON. A MOTSWANA

CHAIRPERSON: PORTFOLIO COMMITTEE ON PREMIER, FINANCE, COOPERATIVE
GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS

DATE

**PORTFOLIO COMMITTEE ON PREMIER, FINANCE, COOPERATIVE
GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS**



NORTH WEST PROVINCIAL LEGISLATURE

**REPORT ON PUBLIC HEARING
DIVISION OF REVENUE AMENDMENT BILL [B15 - 2019]**

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ANNEXURE

ACRONYMS

EPWP	Expanded Public Works Programme
HSRC	Human Sciences Research Council
MEC	Member of Executive Council
NHI	National Health Insurance
NWPG	North West Provincial Government
PFMA	Public Financial Management Act
MTBPS	Medium Term Policy Budget Statement
MTEF	Medium Term Expenditure Framework

1. INTRODUCTION

The Portfolio Committee on Premier, Finance, Cooperative Governance, Human Settlements and Traditional Affairs exercises oversight over the Department of Finance through its assessment of the provincial-wide strategic support provided to NWPG departments. *The Constitution of the Republic of South Africa 1996* and the *PFMA 1999* creates a basis on which oversight by Legislatures should be accomplished.

2. PROCESS FOLLOWED

The Division of Revenue Amendment Bill [B15 - 2019] was formally referred by the Speaker, Honourable S.R. Dantjie to the Portfolio Committee on Premier, Finance, Cooperative Governance, Human Settlements and Traditional Affairs for consideration and reporting.

The Portfolio Committee received a presentation from NCOP Permanent Delegate and National Treasury on the Division of Revenue Amendment Bill [B15 - 2019] at a meeting held on 19 November 2019. Following the departmental briefing, the Committee embarked on Public Hearings throughout the province on 20 November 2019 held as follows; Ngaka Modiri Molema District (Ga Letsapa Community Hall – Kraaipan - 315), Bojanala District (Moretele Local Municipality Hall – Mathibestad - 281), Dr Kenneth Kaunda District (Chris Hani Community Hall – Tswelelang - 271) and Dr Ruth Segomotsi Mompati District (Boipelo Community Hall – Reivillo - 300) . A total of 1 167 people were reached in various districts of the Province.

3. OBJECTIVE OF THE DIVISION OF REVENUE AMENDMENT BILL [B15 - 2019]

To amend the Division of Revenue Act, 2019, in accordance with the Money Bills and Related Matters Act, 2009; and to provide for matters connected therewith.

4. PRESENTATION BY NATIONAL TREASURY

SHIFTING ALLOCATIONS BETWEEN SPHERES

Shift of direct funds to new indirect conditional grant for agriculture

- R45.3 million of the Ilima/Letsema direct conditional grant is shifted to a newly created indirect component of this conditional grant
 - An indirect grant is a grant in which funds are spent by a national department on behalf of a province/municipality (these allocations-in-kind are shown in Schedule 6)
- The purpose of the shift is to fund the National Food and Nutrition Survey, aimed at setting the baseline for poverty, vulnerability and food insecurity in the country
- The shift will allow the national department to pay for the survey, rather than each of the 9 provinces making separate payments to the Human Sciences Research Council.

Reallocation of flood repair funds from a municipality to provincial government

- R60.7 million was erroneously allocated to the Joe Gqabi District Municipality in EC under Municipal Disaster Recovery Grant (MDRG)
- As the damaged roads are provincial roads, the funds will be shifted to the Provincial Roads Maintenance Grant and ring fenced to fund the repair of these roads

CHANGES TO HEALTH CONDITIONAL GRANTS

Additional funding for critical posts in health

- R300 million is added to the Human Resources Capacitation Grant (that was introduced in the 2018 adjustment budget) to assist provinces to meet their salary obligations for posts that have been filled.
- To fund this, resources have been reprioritised from:
 - R145 million from the NHI Indirect Grant (projected to underspend)
 - R112 from programmes within the national Department of Health
 - R43 million from HPV Vaccination Grant (R11 million was also declared as a saving from this grant). These reductions are possible because the target group for vaccination is changing from Grade 4 to Grade 5 girls and most of the grade 5 cohort in Q1 2020 will already have been vaccinated.

Shift of indirect funds to direct

- R289.2 million of the NHI Indirect Grant: Personal Services Component for the Health Professionals Contracting subcomponent will be shifted to a new direct conditional grant
- Provinces already contract with medical professionals, this change will allow provinces to pay them directly rather than invoicing the national department.

Roll-over

- R89.3 million was approved for roll-over in the NHI Indirect Grant, in the Health Facility Revitalisation Component to pay for medical equipment procured for hospitals in Limpopo

REDUCTIONS TO INDIRECT CONDITIONAL GRANTS

- In order to continue to meet government's fiscal targets for 2019/20, in-year reductions were made on programmes that are projected to underspend
 - Government will not have to borrow these funds, only to have them go unspent
- Reductions in DoRAB focused on indirect grants, so the amounts transferred to provinces and municipalities (and which reflect in their budgets) are not affected.

Provincial indirect grants

- R310 million will be reduced from indirect conditional grants to provinces due to projected underspending. The savings are from the following conditional grants:
 - R40 million from the School Infrastructure Backlogs Grant
 - R230 million from the Personal Services Component of the NHI Indirect Grant
 - R10 million from the Non-Personal Services Component of the NHI grant
 - R30 million from the Health Facility Revitalisation Component of the NHI Indirect Grant.

Local government indirect grants

- R445.5 million will be reduced from indirect conditional grants to provinces due to projected underspending. The savings are from the following conditional grants:
 - R185 million from the Regional Bulk Infrastructure Grant
 - R250 million from the Integrated National Electrification Programme (Eskom) Grant
 - R10.5 million from the Municipal Systems Improvement Grant

ADJUSTMENTS TO LOCAL GOVERNMENT CONDITIONAL GRANTS

Conversion of funds to ensure completion of projects

- R19.5 million is converted from the Neighbourhood Development Partnership Grant's direct component to the indirect component
 - This will allow national government to ensure completion of roads projects in Emfuleni Local Municipality and West Rand District Municipality

Funds for Vaal River pollution remediation

- Roll-over of funds for the indirect Regional Bulk Infrastructure Grant
 - R241.9 million roll-over will be used for the emergency Vaal River System pollution remediation intervention
 - The Department of Water and Sanitation has also shifted funding from underspending projects to augment the Vaal remediation, so the total increase in funding in 2019/20 is R409.9 million (bringing the total allocation for projects in Emfuleni Local Municipality to R615.6 million this year)
 - The MTBPS also announced there will be further reprioritisations in 2020/21

ADJUSTMENTS TO NORTH WEST PROVINCIAL ALLOCATIONS

NORTH WEST

Description	Main appropriation: 2019/20	Total: 2019/20 Adjustments	National adjusted appropriation: 2019/20
Human Settlements	1 985 335	-	1 985 335
Human Settlements Development Grant	1 934 947	-	1 934 947
Title Deeds Restoration Grant	50 388	-	50 388
Provincial Emergency Housing Grant			
Public Works	51 856	-	51 856
Expanded Public Works Programme Integrated Grant for Provinces	21 944	-	21 944
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	29 912	-	29 912
Social Development	55 201	-	55 201
Early Childhood Development Grant	55 201		55 201
<i>Subsidy Component</i>	48 833	-	48 833
<i>Maintenance Component</i>	6 368	-	6 368
Social Worker Employment Grant			-
Substance Abuse Treatment Grant			-
Sport and Recreation South Africa	43 814	-	43 814
Mass Participation and Sport Development Grant	43 814	-	43 814
Transport	1 107 405	-	1 107 405
Provincial Roads Maintenance Grant	990 802	-	990 802
Public Transport Operations Grant	116 603	-	116 603
TOTAL: ADJUSTED NATIONAL TRANSFERS	42 524 111	18 256	42 542 367

NORTH WEST

Description	Main appropriation: 2019/20	Total: 2019/20 Adjustments	National adjusted appropriation: 2019/20
	R'000	R'000	R'000
EQUITABLE SHARE	34 972 816	-	34 972 816
CONDITIONAL GRANTS:	7 551 295	18 256	7 569 551
Agriculture, Forestry and Fisheries	244 681	(4 577)	240 104
Comprehensive Agricultural Support Programme Grant	164 857	-	164 857
Ilima/Letsema Projects Grant	70 586	(4 577)	66 009
Land Care Programme Grant: Poverty Relief and Infrastructure Development	9 238	-	9 238
Arts and Culture	144 267	-	144 267
Community Library Services Grant	144 267	-	144 267
Basic Education	1 457 850	-	1 457 850
Education Infrastructure Grant	902 484	-	902 484
HIV and AIDS (Life Skills Education) Grant	18 849	-	18 849
Learners With Profound Intellectual Disabilities Grant	16 267	-	16 267
Maths, Science and Technology Grant	38 391	-	38 391
National School Nutrition Programme Grant	481 859	-	481 859
Cooperative Governance and Traditional Affairs	-	-	-
Provincial Disaster Grant	-	-	-
Provincial Disaster Recovery Grant	-	-	-
Health	2 460 886	22 833	2 483 719
HIV, TB, Malaria and Community Outreach	1 475 402	-	1 475 402
Community Outreach Services Component	175 628	-	175 628
HIV and AIDS component	1 279 163	-	1 279 163
Malaria component	-	-	-
TB component	20 611	-	20 611
Health Facility Revitalisation Grant	508 549	-	508 549
Health Professions Training and Development Grant	132 452	-	132 452
Human Papillomavirus Vaccine Grant	14 007	(3 581)	10 426
Human Resources Capacitation Grant	29 994	5 190	35 184
National Tertiary Services Grant	300 482	-	300 482
National Health Insurance Grant	-	21 224	21 224
Health Professionals Contracting	-	21 224	21 224

ADJUSTMENTS TO NORTH WEST MUNICIPAL ALLOCATIONS

- **CHANGES TO INDIRECT GRANTS: Reallocations in the Integrated National Electrification Programme Grant (Eskom)**

2019/20 Integrated National Electrification Programme Grant (Eskom)

Rand Thousands	2019/20 Main Allocation	Adjustment	2019/20 Adjusted Allocation
NORTH WEST			
B NW371 Moretele	15 380	11 500	26 880
B NW372 Madibeng	15 290		15 290
B NW373 Rustenburg	92 971		92 971
B NW374 Kgetlengrivier	150		150
B NW375 Moses Kotane	18 815		18 815
C DC37 Bojanala Platinum District Municipality			
Total: Bojanala Platinum Municipalities	142 606	11 500	154 106
B NW381 Ratlou	10 735		10 735
B NW382 Tswaing	6 936		6 936
B NW383 Mafikeng	16 973	5 890	22 863
B NW384 Ditsobotla	25 149		25 149
B NW385 Ramotshere Moiloa	6 020		6 020
C DC38 Ngaka Modiri Molema District Municipality			
Total: Ngaka Modiri Molema Municipalities	65 813	5 890	71 703
Total: North West Municipalities	290 909	17 390	308 299

Source: Division of Revenue Amendment Bill, 2019

- **CHANGES TO INDIRECT GRANTS: Reallocations in the Regional Bulk Infrastructure Grant**

2019/20 Regional Bulk Infrastructure Grant

Rand Thousands	2019/20 Main Allocation	Adjustment	2019/20 Adjusted Allocation
NORTH WEST			
B NW371 Moretele	18 270	(18 270)	
B NW372 Madibeng	40 000		40 000
B NW373 Rustenburg			
B NW374 Kgetlengrivier	40 000		40 000
B NW375 Moses Kotane			
C DC37 Bojanala Platinum District Municipality			
Total: Bojanala Platinum Municipalities	98 270	(18 270)	80 000
B NW381 Ratlou	40 000		40 000
B NW382 Tswaing			
B NW383 Mafikeng	20 000	38 270	58 270
B NW384 Ditsobotla			
B NW385 Ramotshere Moiloa			
C DC38 Ngaka Modiri Molema District Municipality			
Total: Ngaka Modiri Molema Municipalities	60 000	38 270	98 270
B NW403 City of Matlosana			
B NW404 Maquassi Hills			
B NW405 JB Marks	40 000	(20 000)	20 000
C DC40 Dr Kenneth Kaunda District Municipality			
Total: Dr Kenneth Kaunda Municipalities	40 000	(20 000)	20 000
Total: North West Municipalities	198 270		198 270

Source: Division of Revenue Amendment Bill, 2019

- **CHANGES TO INDIRECT GRANTS: Reductions in the Municipal Systems Improvement Grant**

2019/20 Municipal Systems Improvement Grant

Rand Thousands	2019/20 Main Allocation	Adjustment	2019/20 Adjusted Allocation
NORTH WEST			
B NW381 Ratlou			
B NW382 Tswaing	1 800		1 800
B NW383 Mafikeng	1 200	(700)	500
B NW384 Ditsobotla	1 200	(700)	500
B NW385 Ramotshere Moiloa	1 800		1 800
C DC38 Ngaka Modiri Molema District Municipality			
Total: Ngaka Modiri Molema Municipalities	6 000	(1 400)	4 600
Total: North West Municipalities	11 400	(1 400)	10 000

Source: Division of Revenue Amendment Bill, 2019

5. CONCERNS OF THE PORTFOLIO COMMITTEE

The Committee raised the following concerns/input after the presentation of the Division of Revenue Bill [B15-2019];

- 5.1. The Committee sought clarity on the provincial conditional grants that have been rolled over, is it due to slow implementation on the earmarked projects, this reflects poorly on service delivery .
- 5.2. The reduction of R 10.5 million on the Municipal Systems Improvement Grant is a concern, most municipalities in the province are rural, is there a strategy to capacitate municipalities.
- 5.3. The Committee raised a concern that there is an appropriation amounting to R 289.3 million that has been transferred from the NHI indirect grant to NHI direct grant for health professional contracting.
- 5.4. A concern was raised on how the national Department of Basic Education intends on spending R 28.0 million on school sanitation and water improvement projects in the North West Province , the indirect allocation has been reduced by R 19.0 million to R 9.0 million for 2019/20, what informs this reduction.
- 5.5. There are adjustments that have been made to Madibeng Local Municipality amounting to R 18 270 million and JB Marks local municipality amounting to R 20 000 million , are these transferrals or adjusted amounts.

- 5.6 Local government indirect grants amount to R 445.5 million, they are to be changed from indirect conditional grants to provinces due to projected underspending.
- 5.7 An amount of R 250 million from the Integrated National Electrification Programme (Eskom) Grant be returned to National Treasury, as municipalities are not utilising this grant for what it is meant for, The Provincial Energy Forum that is lead by the Department of Cooperative Governance and Human Settlements involves municipalities in sponsored areas, is this is not duplicating this process of the grant.
- 5.8 There is a reduction of R 10.5 million from the Municipal Systems Improvement Grant, a concern was raised that there is no capacity at municipalities.
- 5.9 The Committee sought clarity as whether the Department of Water Affairs gives municipalities approvals after submission of business plans.

6. PUBLIC INPUTS/CONCERNS

After the presentation by the Portfolio Committee, the public raised the following concerns:

6.1 DR KENNETH KAUNDA DISTRICT

- 6.1.1 A concern was raised that most of budget is allocated to national departments rather than provincial and local government.
- 6.1.2 Most of budget must allocated local government to address the challenges of service delivery issues.
- 6.1.3 A concern was raised that budget breakdown in the municipalities must done properly according to the needs of municipalities
- 6.1.4 The Community sought clarity on how the money is allocated to the Province and municipalities.
- 6.1.5 Money is allocated to Vaal river every year by government yet problems there are not solved.
- 6.1.6 The Bill is has no inclusion of the National Development Plan.
- 6.1.7 A concern was raised that the Department of Human Settlements needs to put a plan in place when processing RDP houses in Gamogopa as there is a corrupt and fraud beneficiary list that exist.
- 6.1.8 The community sought clarity on the breakdown of the adjustment budget on all grants under the province by each municipality.
- 6.1.9 Borrowed monies from outside South Africa is a concern.
- 6.1.10 The Division of Revenue Amendment Bill, 2019 was not accepted by communities of Dr Kenneth Kaunda.

6.2. DR RUTH SEGOMOTSI MOMPATI DISTRICT

- 6.2.1 The underspending of the budget allocated to district municipalities was raised as a concern, due to the fact that North West is a rural province which needs to be developed.
- 6.2.2 Health conditional grant should also be used to address day to day challenges faced by community members in rural areas, such as shortage of medication, ambulance support in hospitals and clinics.
- 6.2.3 EPWP budget to also have a provision for leaner-ships.
- 6.2.4 The budget allocated for water should be directed to local municipalities not district municipalities as local municipalities work closely with members of the community.
- 6.2.5 Lack of accountability in terms of budget allocated to municipalities was raised as a serious concern that needed intervention.
- 6.2.6 Communities were in agreement with the adjusted budget, yet there is a need for proper monitoring by government departments.

6.3 NGAKA MODIRI MOLEMA DISTRICT

- 6.3.1 Is there no allocation of youth budget to build a call centre for rural areas where learners can have internet access to do their school projects.
- 6.3.2 Challenge of clinics in Diolwane village, they have a mobile clinic which comes once or twice in two months.
- 6.3.3 Where is the IDP budget for Ratlou Municipality going because it does not serve the purpose allocated for.
- 6.3.4 Since 1994 there are no toilets, no RDP's provided by government at Sione
- 6.3.5 A white man by the name of Mr Venter was paid for building a water pump but to date the pump is not working. There's a very serious water challenge at Sione. There's no hall and clinic.
- 6.3.6 The road from Mooifontein to Khunwana need to be gravelled because it is in a bad condition, when it rains vehicles cannot pass.
- 6.3.7 There is no police station at Bodibe. They have requested speed humps because the schools are next to the road but no one is helping them. The issue goes way back to 2013.

6.4 BOJANALA DISTRICT

- 6.4.1 The Bill does not have an appropriation for Traditional Affairs.
- 6.4.2 Why was R18 Million returned to National Treasury while people of Moretele have no water and Sanitation,
- 6.4.3 The roads in Moretele are in a bad state hence R18 million has been returned because it was unused.
- 6.4.4 There is no adjustment for water projects in Moretele
- 6.4.5 The councillors in the municipalities must be capacitated in order to know how use the allocated money.
- 6.4.6 There must be pre and post inspection oversights for allocated budget in the districts.
- 6.4.7 There must be consequence management for money that is returned to National Treasury.
- 6.4.8 Monies that are returned must be used to open the hospital that has been built in Mathibestad.
- 6.4.9 The Bill was accepted with amendments.

7. ADOPTION OF THE BILL

- 7.1 Four districts voted in favour of the Bill.

8. RECOMMENDATIONS BY THE PORTFOLIO COMMITTEE

- 8.1. The Committee is in support of the R 45.3 million that will be ring-fenced as a direct grant which requires provinces to transfer funds to the HSRC.
- 8.2 National and Provincial Treasury have to ensure that oversight mechanisms are strengthened at municipalities as appropriations and grants are not spent accordingly.
- 8.3 The Committee adopt but not in supports of funds to be taken to National while there is issue of drought in the province.
- 8.4 The Committee recommends that the stringent reduction directed to North West must be debated further.

9. ACKNOWLEDGEMENTS

The Chairperson of Committee thanked all the present Members for their commitment to the oversight process of the Division of Revenue Amendment Bill [B15– 2019].

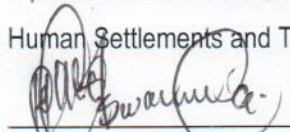
The cooperation of the MEC for Finance, the Head of the Department as well as senior officials from the department is highly appreciated.

The Chairperson of Committee would also like to thank the support staff for contributing in compiling this report.

10. ADOPTION OF THE REPORT

The Portfolio Committee recommends that the House approve the passing of the Division of Revenue Amendment Bill [B15- 2019] and mandate the North West Permanent Delegate in the National Council of Provinces to vote in support of the Division of Revenue Amendment Bill [B15 - 2019] as tabled by the Minister of Finance.

I present to this House, the report of the Portfolio Committee on Premier, Finance, Cooperative Governance, Human Settlements and Traditional Affairs for consideration and adoption.



HON. A. MOTSWANA
CHAIRPERSON: PREMIER, FINANCE, COOPERATIVE GOVERNANCE, HUMAN SETTLEMENTS AND TRADITIONAL AFFAIRS

22/11/19

DATE

ANNEXURE

SERVICE DELIVERY CONCERNS

1. DEPARTMENT OF HEALTH

- ✓ Clinics be built in rural areas.
- ✓ The province must use the money to buy ambulances.

2. DEPARTMENT OF EDUCATION

- ✓ Education – To build school and libraries in rural Areas

3. DEPARTMENT OF LOCAL GOVERNMENT & HUMAN SETTLEMENTS

- ✓ There is no RDP houses in Gamogopa village.

4. PROVINCIAL TREASURY

- ✓ There is a need on equality with regard to employment opportunities on tenders.

5. OFFICE OF THE PREMIER

- ✓ Faces of Executive Council to be distributed to the municipalities for communities to know them.