

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



NORTH WEST PROVINCIAL LEGISLATURE

**REPORT ON THE
DIVISION OF REVENUE SECOND AMENDMENT BILL [B24 - 2020]**

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ACRONYMS

COSATU	Congress of South African Trade Unions
NW	North West
NWPG	North West Provincial Government
NYDA	National Youth Development Agency
PFMA	Public Financial Management Act
SCOPA	Standing Committee on Public Accounts
SEDA	Small Enterprise Development Agency
SAFTU	South African Federation of Trade Unions
CASP	Comprehensive Agricultural Support Programme
MIG	Municipal Infrastructure Grant
SCOPA	Standing Committee on Public Accounts

1. INTRODUCTION

The Portfolio Committee on Premier, Finance, Cooperative Governance, Human Settlements and Traditional Affairs exercises oversight over the Provincial Treasury 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 Second Amendment Bill [B24 - 2020] 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 Committee soon afterwards sent letters to the followings stakeholders to request written submissions on the Bill - District Municipalities, Local Municipalities, Magosi a Bokone Bophirima, SEDA, COSATU, SAFTU, Wesval Chamber of Commerce and NYDA. The Portfolio Committee then received presentations from National Treasury through a virtual meeting held on 5 November 2020 and from the NCOP Permanent Delegate on the Division of Revenue Second Amendment Bill [B24 - 2020] through a virtual meeting held on 23 November 2020.

3. OBJECTIVE OF THE DIVISION OF REVENUE SECOND AMENDMENT BILL [B24 - 2020]

The Division of Revenue Second Amendment Bill makes amendments to the Division of Revenue Act (Act 4 of 2020) as amended by the Division of Revenue Amendment Act (Act 10 of 2020).

4. PRESENTATION BY NCOP PERMANENT DELEGATE ON THE DIVISION OF REVENUE SECOND AMENDMENT BILL

- ✓ The North West's provincial equitable share decreased by R1.2 billion from R37.5 billion in February 2020 to R36.3 billion in October 2020.
- ✓ The net reduction of R1.2 billion is comprised of:
- ✓ R445 million addition for the Education Employment Initiative
- ✓ R35 million addition for Food relief; and
- ✓ R1.7 million reductions as part of the proposed R25.3 billion Public Service Wage Bill reduction
- ✓ R70.9 million is added to the Provincial Roads Maintenance Grant, increasing the allocation of R898.7 million to R969.6 million for 2020/21. The addition is for the creation of jobs through the S'hamba Sonke Programme in road maintenance.
- ✓ Early Childhood Development Grant – R33.9 million is added, increasing the allocation of R76.7 million to R110.6 million for 2020/21. The additions are to provide unemployment risk support to Early Childhood Development workers for six months, as well as top-up payments for employed workers to take on compliance support duties.
- ✓ HIV, TB, Malaria and Community Outreach Grant – R5.1 million is added to the community outreach services component, increasing the allocation of R1.804 billion to R1.809 billion for 2020/21. The addition is for the recruitment and training of Community Health Workers and Outreach Team Leaders.

5. PRESENTATION BY NATIONAL TREASURY ON THE DIVISION OF REVENUE SECOND AMENDMENT BILL

- 5.1 The Division of Revenue Second Amendment Bill makes amendments to the Division of Revenue Act (Act 4 of 2020) as amended by the Division of Revenue Amendment Act (Act 10 of 2020).
- 5.2 Changes to the Provincial Equitable Share:
 - R25.3 million is reduced from the 2020 baseline as part of the reduction of R160 billion to the growth of the public service wage bill.
 - The 2020 budget included a reduction of the wage bill of National and Provincial departments and National and Public Entities.
 - Allocations published in the 2020 Division of Revenue Bill did not include the proposed reductions – there were shown as part of provisional allocations.
 - R500 million is added to provide for food relief in response to the impact of COVID-19 to mitigate the adverse effects of hunger.

- Allocations to provinces are determined in line with the provincial equitable share formula.
- R7 billion is added to the baseline to employ education assistants at schools and to save school governing body posts at fee paying schools and government-subsidised independent schools.
- A number of applications from National departments were conditionally approved for the purpose of the PEI – and a total of R1.5 billion is added to direct conditional grants for provinces for job creation purposes.
- Provincial conditional grants will be reduced by R1.3 billion:
 - R56 million from the National Tertiary Services Grant
 - R14 million from the Community Library Services Grant
 - R14 million from the Comprehensive Agricultural support programme Grant
 - R52 million from the Health Facility Revitalisation Grant
 - R224 million from the HIV, TB, Malaria and Community Outreach Grant
 - R5 million from the Ilima/Letsema Projects Grant
 - R980 000 from the Land Care Programme Grant
- Roll-over of funds:
 - R390 million is rolled over in the Urban Settlements Development Grant to fund commitments for bulk infrastructure related projects in Nelson Mandela Bay Metropolitan Municipality.
 - R98 million is rolled over in the Public Transport network Grant to for public and not-motorised infrastructure in Nelson Mandela Bay Metropolitan Municipality.
 - R307 million is rolled over in the Regional Bulk Infrastructure Grant for drought and COVID-19 water and sanitation interventions nation-wide.

6. DELIBERATIONS BY THE PUBLIC

The Communities deliberated as follows, after the presentation on the Division of Revenue Second Amendment Bill [B24-2020];

- 6.1 Government is spending more money on temporary jobs but this does not address the present unemployment rate.
- 6.2 People who are between the ages of 36 and 59 are not accommodated in the social assistance programme whereas all other age groups are catered for in the different social grants e.g. disability grant.

- 6.3 Government has budgeted more money for bulk water infrastructure supply but communities are still faced with water shortages in the province.
- 6.4 No budget increase indication on funding for the Scholar Transport Programme and this has a negative impact on school attendance by learners in the province.
- 6.5 The Road Infrastructure grant has been increased for the province but roads in various districts are in a poor state.
- 6.6 The lack of monitoring government projects by departments and municipalities leads to poor service delivery across the province.
- 6.7 Concern was raised on the R500 million that is added to provide for food relief in response to the impact of COVID-19 to mitigate the adverse effects of hunger. Communities never seen and received any food parcels from municipalities in the province.
- 6.8 Funds that have been allocated for food security in the province have not been spent accordingly, a concern was raised that there is currently a huge loss of jobs in the agricultural sector.
- 6.9 The underspending of infrastructure projects in the province is a concern due to the fact that some of the projects are incomplete.
- 6.10 The Communities raised a concern that there is insufficient or no project planning at municipalities and departments. This leads to projects being uncompleted and grants not being spent.
- 6.11 The Communities wanted to know what criteria was used for the R7 billion to be added to the baseline to employ education assistants at schools.
- 6.12 The Communities is not in favour for the R10.5 billion that is required to cater for the rescue plan for South African Airways and they feel money can be spent somewhere else where needed most.
- 6.13 Social development is failing people with disabilities because of their limited resources and they feel the disability grant must be increased.
- 6.14 Community raised concern about the R390 million and R98 million that is rolled over in the urban settlements development grant to fund commitments for bulk infrastructure related projects and public transport network grant for public and non-motorised infrastructure in Nelson Mandela Bay Metropolitan Municipality.
- 6.15 Concern was raised regarding the proposed non allocation of funds for Cooperative Governance and Traditional affairs given the critical service delivery challenges municipalities faces in the province.

- 6.16 A further reflection was made against the proposed budget reduction, particularly in the health, education grants, whilst additional allocations for SOE's bailouts. This proposal is perceived as a clear compromise in improving the general livelihood of communities for SOE which have proved non-functional over time.
- 6.17 Clarity is sought regarding the allocation amounting to R7 million for regional bulk infrastructure, as to the extent of the portion allocation for ngaka modiri molema district, municipality. This reflection is made on the basis of the current state of water and other infrastructure supply, considering the rural nature of municipalities within the district.
- 6.18 It was further indicated that given the high rate of unemployment, especially amongst the youth, the provincial government should consider allocation of more funds towards agriculture and farming support, so to support farmers and those in agricultural produce sectors to contribute towards the provinces economic growth.
- 6.18

7. ADVERTISING OF THE BILL

The Portfolio Committee embarked on Public Hearings where they met with communities and stakeholders in the following districts in the province:

• Ngaka Modiri Molema district – Madibogo Community Hall:	116
• Dr Ruth Segomotsi Mompati district – Seking Tribal Hall:	126
• Bojanala district – Jericho Multi purpose Hall:	160
• Dr Kenneth Kaunda district – Ga-Mogopa Community Hall	110

Advertisements were posted on:

- North West Provincial Legislature Facebook page.

Advertisements were broadcast on.

- Mafikeng FM, Bophirima FM, Vaaltar FM, Star FM,, Madibeng FM.

8. SUBMISSIONS FROM STAKEHOLDERS

The following stakeholders were sent letters, a copy of the Bill and the presentation;

- District Municipalities
- Local Municipalities

- Traditional Leadership throughout the province
- SEDA
- COSATU
- SAFTU
- Wesval Chamber of Commerce
- NYDA

No written submissions were received.

9. RECOMMENDATIONS BY THE PORTFOLIO COMMITTEE

The Committee recommends as follows;

- 9.1 National Treasury working together with Provincial Treasury must put stringent measures in place on accountability on spending of funds by municipalities and departments, on the COVID19 supplementary budget.
- 9.2 Provincial Treasury must transfer grants directly to local municipalities in order for identified projects to be completed.
- 9.3 The appropriation for the agricultural sector in the province be increased so that food security is maintained and there is no loss of jobs in the sector.
- 9.4 Unspent Infrastructure grants must not be re-allocated to a department rather they be transferred to another department.
- 9.5 National Treasury and Provincial Treasury working together must enforce project planning at municipalities and departments, that have timeframes.

10. ADOPTION OF THE BILL

The Division of Revenue Second Amendment Bill [B24 – 2020] is adopted with the proposed amendments from the Bojanala, Dr Kenneth Kaunda, Dr Ruth Segomotsi Mompati and Ngaka Modiri Molema Districts communities who voted in favour of the Bill with amendments.

11. ACKNOWLEDGEMENTS

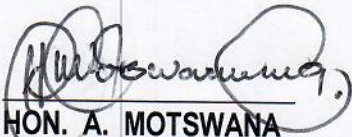
The Chairperson of Committee thanked all the present Members for their commitment to the oversight process of the Division of Revenue Second Amendment Bill [B24– 2020].

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

12. ADOPTION OF THE REPORT

The Portfolio Committee recommends that the House approve the passing of the Division of Revenue Second Amendment Bill [B24- 2020] and mandate the North West Permanent Delegate in the National Council of Provinces to vote in support of the Division of Revenue Second Amendment Bill [B24 – 2020] 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

24/11/2020
DATE