REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE *DIVISION OF REVENUE AMENDMENT BILL* [B19 – 2021], DATED 03 DECEMBER 2021

The Select Committee on Appropriations having considered the *Division of Revenue Amendment Bill* [B19 - 2021] (National Assembly – section 76), reports as follows**:**

1. Introduction

The Minister of Finance tabled the *Division of Revenue Amendment Bill* [B19 – 2021] (hereafter referred to as the Bill) in Parliament on 11 November 2021 together with the 2021 Medium Term Budget Policy Statement (MTBPS). The Bill was tabled in terms of Section 12(4) of the Money Bills and Related Matters Act No. 9 of 2009 (as amended by the Money Bills and Related Matters Amendment Act, No 13 of 2018). The Act requires the Minister of Finance to table a Division of Revenue Amendment Bill with a revised fiscal framework if the adjustments budget effects changes to the Division of Revenue Act for the relevant year. The Bill and its annexures address the following:

- Changes to provincial allocations;
- Changes to local government allocations; and
- Changes to gazetted conditional grant frameworks and allocations.

2. Process followed

The Bill was transmitted to the National Council of Provinces (NCOP) and referred to the Committee on 30 November 2021 after the National Assembly adopted it. The Committee received a briefing from National Treasury on the Bill in its entirety on 25 November 2021. Provinces were invited to this meeting and were also individually briefed by Permanent Delegates on 01 December 2021. Negotiating mandates were submitted and considered on 02 December, and final mandates on 03 December 2021.

3. Public consultations and stakeholder engagements

To facilitate public participation, the Committee published adverts, calling for public comment on the Bill, in print media in all 11 official languages from 18 November to 26 November 2021. In response, a written submission was received from the Congress of South African Trade Unions (COSATU). COSATU also made an oral presentation during a public hearing on 30 November 2021. In compliance with Section 214(2) of the Constitution and Section 10(4) of the Intergovernmental Fiscal Relations Act No.97 of 1997, the Committee consulted the Financial and Fiscal Commission (FFC) and the South African Local Government Association (Salga) on the Bill, and was was also briefed by the Parliamentary Budget Office (PBO).

4. *Division of Revenue Amendment Bill* [B19 – 2021]

National Treasury has reiterated that provinces are responsible for basic education and health services, roads, housing, social development, and agriculture. Municipalities provide basic services such as water, sanitation, electricity reticulation, roads and community services. National Treasury also explained that provincial and municipal governments face multiple pressures over the medium term as government reduces spending growth, and poor economic performance affects other revenue and funding sources. Consequently, over the 2022 Medium Term Expenditure Framework period (MTEF), transfers to provinces and municipalities will grow below inflation.

Table 1: Equitable division of revenue among spheres of government

Spheres of Government R'000	2021/22 Original Allocation	Adjusted amount	2021/22 Adjusted Allocation
National*	1 232 566 664	43 977 021	1 276 543 685
Provincial	523 686 351	21 148 560	544 834 911
Local	77 999 135	-	77 999 135
Total	**1 834 252 150**	**65 125 581**	**1 899 377 731**
* National share includes conditional grants to provincial and local spheres, general fuel levy, debt service costs and the contingency reserve.			

Source: National Treasury (2021a)

The additional R21.15 billion to the provincial equitable share is comprised of -

- R14.68 billion added to assist provinces to implement the wage agreement of the Public Service Co-ordinating Bargaining Council for the 2021/22 financial year; and
- R6.47 billion added through the Presidential Youth Employment Initiative as follows:

- R6 billion to employ Education Assistants and General School Assistants at public ordinary and public special schools.
- R350 million for the employment of Staff and Assistant Nurses, who will fulfil the responsibilities required in the COVID-19 vaccination programme, COVID-19 wards, High Care Units, patient observation and other duties as required.
- R120 million for the contracting of Social Workers as part of a short-term response to unemployment among social work graduates.

Over the next three years, government proposes to allocate 48.4 percent of available non-interest expenditure to national departments, 42 percent to provinces and 9.6 percent to local government. This means that the national sphere’s resources will contract by an annual average of 1.8 percent, while provincial and local government resources increase by 4.1 percent each.

Table 2: Proposed changes to provincial government allocations

Province R'million	2021/22 Original Allocation	Adjusted amount	2021/22 Adjusted Allocation
Eastern Cape	68 060	2 889	70 949
Free State	29 055	1 288	30 343
Gauteng	111 429	4 192	115 621
KwaZulu-Natal	107 126	4 465	111 591
Limpopo	60 028	2 529	62 557
Mpumalanga	42 828	1 715	44 543
Northern Cape	13 919	550	14 469
North West	36 793	1 502	38 295
Western Cape	54 448	2 019	56 467
Total	**523 686**	**21 149**	**544 835**

5. Changes to provincial conditional grants

The proposed additions to direct provincial conditional grant transfers amount to R588.65 million and reductions amount to R10 million. The net effect is an additional R578.65 million for the 2021/22 financial year. The net effect of the proposed adjustments to indirect provincial conditional grant transfers is a reduction of R447.65 million for the 2021/22 financial year.

5.1 Additions

- R167.42 million is added to the HIV, TB, Malaria and Community Outreach Grant to allow provinces to procure directly for the provision of mental health and oncology services. The additional amount is converted from the personal services component of the National Health Insurance Indirect Grant.
- R243.22 million is added to the Statutory Human Resources, Training and Development Grant as part of the statutory obligation to place medical interns upon the completion of their studies. The additional amount was reprioritised from various components of the National Health Insurance Indirect Grant.
- R178 million is added to the Early Childhood Development Grant to provide unemployment risk support to 70 000 early childhood development related workers impacted by the COVID-19 lockdown, to supplement their income.
- A net amount of R113 million is added to the School Infrastructure Backlogs Grant to complete projects that are part of the Sanitation Appropriate for Education Initiative. This initiative is aimed at replacing and removing inappropriate and unsuitable sanitation, including pit toilets at schools. The funds are specifically for schools in the provinces of the Eastern Cape, Free State, KwaZulu-Natal and Limpopo.

5.2 Reductions

- A reduction of R10 million is effected to the Health Facility Revitalisation Grant allocation of the Western Cape due to delays in the appointment of professional service providers for building design with regard to the Klipfontein Hospital.
- A reduction of R560.65 million is effected to the National Health Insurance Indirect Grant, comprised of the following:
  - R243 million reduction to fund medical interns;
  - R167 million reduction to allow provinces to procure directly for the provision of mental health and oncology services; and
  - R150 million reduction due to delays with the Limpopo Academic Hospital project.

5.3 Roll-overs

R210 million of the 2020/21 School Infrastructure Backlogs Grant allocation was rolled over to complete projects under the Sanitation Appropriate for Education Initiative that were not completed at the 2020/21 year-end. R97 million of the roll-over funding is reprioritised and allocated to the Department of Basic Education to fund a shortfall in the provision of workbooks. There is an increased demand for language, mathematics and life skills workbooks due to changes in teaching and learning practices in public schools, whereby greater emphasis is placed on learners working on their own at home due to a rotational attendance timetable implemented by schools to allow for the required social distancing as necessitated by COVID-19 regulations.

6. Changes to local government conditional grants

Proposed additions to the local government conditional grant transfers for the 2021/22 financial year amount to R1.50 billion and total reductions amount to R1.34 billion. The proposed adjustments result in a net addition of R164 million for the 2021/22 financial year.

6.1 Additions

- A net amount of R751 million is added to the direct Neighbourhood Development Partnership Grant. The funding is for local government to create 32 663 jobs through precinct management, community safety, place-making, greening, integrated waste management and digitalisation, with a special focus on poor and marginalised areas and economic nodes.
- R81 million is added to the 2021/22 direct Regional Bulk Infrastructure Grant allocation of the George Local Municipality. The funding is for the implementation of the portable water security and remedial works project.
- R90 million is added to the indirect Neighbourhood Development Partnership Grant to fund project preparation, planning and implementation for municipalities facing implementation challenges. The funding is specifically targeted to support the City of Johannesburg, Mogale City Local Municipality, Kwa-Dukuza Local Municipality, West Rand District Municipality, Sol Plaatjie Local Municipality, Ray Nkonyeni Local Municipality and the City of Cape Town. The additional amount was reprioritised from the direct Neighbourhood Development Partnership Grant.

6.2 Reductions
A sum of R1.34 billion is reduced from the 2021/22 Public Transport Network Grant allocation of the City of Cape Town, to align the funding to the revised implementation plan of phase 2A of the MyCiti bus rapid transit system.

6.3 Roll-overs and reprioritisation
- R582 million of the 2020/21 direct Regional Bulk Infrastructure Grant allocation was rolled over to fund the operational payments for the Vaal River pollution remediation project in the Emfuleni Local Municipality.
- R90 million was reprioritised from the direct Neighbourhood Development Partnership Grant and allocated to the indirect Neighbourhood Development Partnership Grant to fund project preparation, planning and implementation for municipalities facing implementation challenges.

7. Stakeholder submissions
7.1 Financial and Fiscal Commission (FFC)
The FFC submitted that the 2021 MTBPS proposed a total provincial allocation of R1.9 trillion over the 2022 MTEF, representing a nominal 3 percent increase from the 2021 budget allocation. The FFC added that data showed that the 2022 allocations to the provincial sphere of government are yet to recover to the 2020/21 total provincial baseline allocation. FFC commented that, compared to the 2021 budget, the provincial total allocation had been revised upwards by R20 billion in the 2021 MTBPS, mainly to cater for compensation of employees (COE) adjustments. The FFC further stated that, in line with the government goals of budget consolidation, the equitable share was projected to decrease slightly in 2022/23 and 2023/24 before recovering to a level above the 2021 MTBPS revised allocation. The FFC highlighted that the decrease was mainly based on the assumption that the provincial COE baselines should remain repressed.
The FFC commented that the provincial conditional grant allocations were is also expected to remain stagnant over the 2022 MTEF, as the government continued with expenditure moderation. The FFC further submitted that it welcomed the proposal to rationalise various sub-components of the HIV, TB, Malaria and Community Outreach Grant. This would minimise the grant administration and provide provinces with sufficient flexibility to spend the grant in accordance with their respective needs. The FFC commented that it was currently conducting research on repurposing and realigning the system of conditional grants, both with regard to the design and the efficacy of grants. The FFC advised the Committee that expenditure moderation must be followed by comprehensive reports from the affected departments indicating to Parliament how they intend to manage tighter budgets and cushion delivery of essential social services.
On the local government fiscal framework, the FFC submitted that, over the 2021 MTEF, the local government sector was allocated R450.6 billion, divided into R254 billion in the form of unconditional grants and R149.7 billion in conditional grants. The FFC added that the total allocations were projected to decrease by 0.12 percent in real terms over the MTEF. The FFC pointed out that considering the poor growth in local government transfers, there was a need to prioritise own revenue-raising capacity by municipalities, to ensure sustainable service delivery. Municipalities should be encouraged to pursue alternative revenue sources.
The FFC submitted that the total local government equitable share (LGES) allocation was expected to increase from R78.0 billion in 2021/22 to R87.3 billion in 2024/25; and highlighted that, on average, the LGES would register a -0,4 percent growth over the 2021 MTEF. The Commission stated that it was concerned with this projected decrease, as such a trend would compromise the progressive realisation of the basic rights of poor and vulnerable households who depend on transfers for services.
The FFC welcomed the additional allocation of R841 million to the direct component of the Neighbourhood Development Partnership Grant (NDPG) allocated for the Presidential Youth Employment Initiative to create jobs, given the high levels of unemployment in the country, especially among the youth. However, the Commission recommended some consolidation of grants meant to support labour-intensive delivery of infrastructure services to municipalities.
On reprioritisation, the Commission noted the in-year conversion of a component of the Municipal Infrastructure Grant to an indirect grant in municipalities identified as being in crisis. The FFC commented that although the targeted municipalities were in crisis, in principle it would caution against converting direct to indirect grants, as it assumed that government departments would perform better. The FFC added that its previous submissions had shown that indirect grants did not necessarily perform better than direct grants. On the contrary, the reverse was true. The FFC

highlighted the need to have principles in place to guide the reclassification of grants from direct to indirect, and *vice versa*. The FFC also underscored the need for building municipalities' capacity so that they could utilise direct grants and the use of indirect grants was a matter of last resort.

7.2 South African Local Government Association (Salga)
Salga noted that the revenue for the 2021/22 financial year was now estimated to reach R1.5 trillion, compared to R1.4 trillion presented during the 2021 Budget. This was an upward revision of R120.3 billion. Salga further noted that these temporary benefits were projected to fall short of pre-COVID-19 expectations over the medium term and weak growth in all tax categories. Moreover, the MTBPS showed that there were 27.8 million social grant recipients, which accounted for about 46 percent of the population, whilst the number of people working had declined.

On the revised budget allocation, Salga noted that the local government share from nationally raised revenue contracted to 8.5 percent compared to 9 percent allocated through the 2021 Budget. In monetary terms, the allocation was R137.6 billion compared to R138.1 billion tabled in February 2021. Salga added that despite these reductions, organised local government was of the view that there was a need to reduce the deficit and provide additional short-term support for health, social protection, job creation, and peace and security. Salga welcomed the increase in the allocation to the local sphere of government for the 2022/23 to 2023/24 financial years of R0.7 billion, or 0.2 percent, to R295.2 billion when comparing the MTBPS to the 2021 Budget.

Despite the reductions, Salga acknowledged the tough economic outlook and limited fiscal space that had been exacerbated by the significant negative impact of COVID-19 on the economy. Moreover, Salga supported the reduction of the budget deficit and stabilising of the debt to GDP ratio. Salga further supported the macroeconomic strategy that included fiscal consolidation to curb additional spending and maintain the expenditure ceiling.

7.3. Parliamentary Budget Office (PBO)
The PBO highlighted that the Bill provided for an increase in expenditure of 3.6 percent for the current financial year. The PBO also noted no additional allocation for local government through the Bill. The PBO was of the opinion that the Bill reflected governments' attempt to further support the economy and pursue fiscal consolidation, with projected revenue lower than estimated. Moreover, the PBO commented that the Bill provided for additional allocations to the provincial equitable share (PES) of R14.7 billion for the wage agreement, and R6.47 billion for the Presidential youth employment initiative. The PBO explained that the Presidential employment initiative would not only support the creation of more than 44 000 short-term jobs, but also aimed to catalyse growth and job creation and provide support for self-employed people.

The PBO noted that the PES and local government equitable share (LGES) formulas would be updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the MTEF period. The PBO commented that changes to the PES and LGES formulas aimed to improve the equal division of revenue. The PBO further stated that its analysis of conditional grants suggested improved administration, including content, context (process and reporting), and control (monitoring) was needed.

The PBO had assessed the content and performance of Basic Education, Health, Human Settlements, Agriculture and Transport conditional grants, as reflected in the schedules to the Division of Revenue Act and reported on in the 2019/20 annual reports of administering departments. The analysis showed -

- Performance outputs/ indicators were not well defined;
- There was a mismatch between expected outputs and actual outputs;
- There was duplication of indicators/outputs;
- There was inconsistent or no reporting on actual non-financial information;
- In some instances, no targets were set for outputs;
- Over-spending on some of the grants, accompanied by under-performance;
- Under-spending accompanied by over-performance;
- Reporting on the performance was not measured against set targets;
- There was incomplete performance information; and

- The lack of proper performance information on conditional grants in the Annual Reports of departments made it difficult to determine the effectiveness of expenditure and the impact of the outputs delivered by government.

7.4 Congress of South African Trade Unions (COSATU)
COSATU appreciated that the Minister had avoided the provocative stance of his predecessor, who sought to unilaterally impose a 4-year wage freeze in his Budget speeches, and had committed to respecting collective bargaining and to engage with organised labour at the Public Service Coordinating Bargaining Council. COSATU commented that this approach should be extended to the bargaining councils of Salga and state-owned entities (SOEs) too.
COSATU welcomed the R19 billion adjusted allocations to departments to provide for the 2021 wage agreement, even though it was below inflation and a once-off. COSATU emphasised that government should respect collective bargaining in the public service, entities, SOEs and local government, and engage with the relevant bargaining councils and/or fora on matters of collective bargaining, including the wage bill and signed wage agreements. COSATU suggested that government should work with organised labour to establish a single collective bargaining and wage regime for the entire state, including SOEs. COSATU further proposed that government should implement wage caps for executive managers in the SOEs and entities. Moreover, COSATU submitted that government should implement a 25 percent package cut for members of the Cabinet, Provincial Executive and Mayoral Committees, as well as executive managers in the state, entities, SOEs and metros. COSATU also felt there was a need for government to open the Ministerial Handbook for public comment, to ensure that the exorbitant perks for the executive were removed and a more modest regime adopted. COSATU further indicated that government should reverse the headcount reduction for key frontline service delivery posts, such as Police and Basic Education.
COSATU welcomed the R11 billion allocation for the Presidential Employment Stimulus Programme which would create 550 000 jobs and provide young people with a salary and experience; as well as the proposed allocation of R74 billion over the next three years, but felt it should be increased further. COSATU expressed concern over the impact of cuts to key public service delivery functions, including the below inflation increase to the Department of Basic Education (DBE); but welcomed the additional allocation of R113 million to school infrastructure, including for sanitation and water; which included -

- R132 million for the Eastern Cape;
- R 26 million for the Free State;
- R14 million for KwaZulu-Natal; and
- R36 million for Limpopo.

COSATU commented that the inability to allocate R149 million when thousands of schools still lacked adequate sanitation, was indefensible; and that the shifting of R97 million from sanitation to the appointment of Maths teachers pointed to a serious project management capacity problem in the DBE; resulting in an inability to ensure all schools had access to decent sanitation and water. In addition, the DBE's failure to meet 80 percent of its target to provide sanitation to 1000 schools during the pandemic, was unacceptable; and the Minister and Director-General needed to be held accountable. COSATU further proposed that a clear and realistic plan must be tabled by the DBE in Parliament by the end of 2022 to ensure all schools had access to decent water and sanitation.
COSATU welcomed the allocation of R6 billion for the employment of more than 310 000 teaching assistants.
COSATU submitted that the R350 Social Relief of Distress Grant should be extended beyond March 2022 and, in conclusion, indicated that workers and voters were losing faith in government's policies and commitments. COSATU expressed the hope that government would table a 2022 budget that would -

- Stimulate the economy and support job creation;
- Provide relief to the unemployed;
- Tackle corruption and wasteful expenditure;
- Rebuild SOEs and the state; and
  Respect collective bargaining.

8. Provincial mandates
The Committee met on 02 and 03 November 2021 to consider negotiating and final mandates from provinces.

8.1 Negotiating mandates

8.1.1 Eastern Cape supported the Bill and made a comment.
8.1.2 Free State supported the Bill and made comments.
8.1.3 Gauteng supported the Bill and made recommendations.
8.1.4 KwaZulu-Natal supported the Bill.
8.1.5 Limpopo supported the Bill and made a recommendation.
8.1.6 Mpumalanga supported the Bill and made a recommendation.
8.1.7 Northern Cape supported the Bill and made recommendations.
8.1.8 North West supported the Bill and made recommendations.
8.1.9 Western Cape abstained from voting on the Bill.

8.2 Final mandates

8.2.1. Eastern Cape supported the Bill.
8.2.2. Free State supported the Bill.
8.2.3. Gauteng supported the Bill
8.2.4. KwaZulu-Natal supported the Bill.
8.2.5. Limpopo did not submit a final mandate.
8.2.6. Mpumalanga supported the Bill.
8.2.7. Northern Cape supported the Bill.
8.2.8. North West supported the Bill.
8.2.9. Western Cape did not support the Bill.

9. Findings and observations

Having deliberated and considered all the submissions made by the above stakeholders on the *Division of Revenue Amendment Bill* [B19 - 2021], the Select Committee on Appropriations made the following findings and observations:

9.1 Whilst the Committee welcomes an additional amount of R65.12 billion reflected in schedule 1 of the Bill earmarked for the upward adjustment to both the national and provincial equitable share for the current financial year; the Committee remains concerned whether adequate mechanisms are put in place for funds to be spent properly for the intended purpose.

9.2 The Committee welcomes an amount of R11 billion set aside for the Presidential Youth Employment Initiative to create labour intensive job opportunities for the 2021/22 financial year, as part of the continuous effort by government to mitigate the impact of the COVID-19 pandemic.

9.3 Whilst the Committee welcomes the roll-over amount of R582 million in the indirect Regional Bulk Infrastructure Grant for operational payments for the Vaal River Pollution Remediation Project in Emfuleni Local Municipality, it is concerned about the fact that the contract has been cancelled, necessitating a deviation approval and causing delays in spending and delivery of services. Furthermore, some invoices received could not be paid before the end of the financial year, as the required work verification process could not be completed timeously.

9.4 Whilst the Committee welcomes the increase in the local government allocation from 9 to 9.6 per cent in the medium term period, it is concerned about the lack of financial management capacity in some municipalities, especially where service providers are brought in to execute the responsibilities of employees who are in the system. The Committee further noted the concern raised by Salga that, even though the increased allocation was welcomed, there was still a need to address the incorrect assumptions contained in the Local Government White Paper of 1998.

9.5 The Committee notes the concern raised by Salga around unfunded mandates, which put an additional strain on the fiscus of local government, especially in cases where a municipality is required to step in due to provincial government's inability to deliver certain services.

9.6 The Committee further notes the resolution around the unfunded mandates, which was taken during the Local Government Budget Lekgotla in December 2020, that the Department of Cooperative Governance and Traditional Affairs should take the matter forward and ensure that funds always followed function.

9.7 The Committee remains concerned about the 41 per cent water losses reported by Salga and notes the wide range of initiatives, including training courses and partnerships as well as innovative ways to prevent water and electricity losses, made available by Salga for its members to implement.

9.8 The Committee notes that the National Executive Committee of Salga took steps to extract a higher level of accountability from its members in relation to negative performance reports, failure to submit financial statements and fruitless and wasteful expenditure; and the Committee is concerned that not many municipalities responded to this initiative. The Committee further notes the fact that Salga does not have statutory powers to enforce consequence management in the local government sphere.

9.9 The Committee welcomes the R90 million reprioritised from the direct to the indirect component of the Neighbourhood Development Partnership Grant to fund project preparation, planning and implementation for municipalities struggling with project implementation.

9.10 The Committee welcomes the movement of funds towards financing the District Development Model, which is aimed at ensuring that systems are in place for more integrated delivery of services and ensuring sufficient capacity by driving coordination and alignment of processes in the local government sphere.

9.11 The Committee welcomes an additional R178 million added to the Early Childhood Development (ECD) Grant to provide unemployment risk support to 70 000 ECD-related workers impacted by the COVID-19 lockdown; the R841 million to the direct Neighbourhood Development Partnership Grant for local government to create 32 663 jobs; and the Presidential Youth Employment Intervention.

9.12 Whilst the Committee further welcomes the migration of the ECD Grant from Social Development to the Department of Basic Education, it remains concerned about the lack of parity between provinces regarding the stipends paid to the ECD workers.

9.13 The Committee notes the reductions of R150 million and R10 million from the National Health Insurance (Indirect) Grant and the Health Facility Revitalisation Grant, respectively, which were earmarked for specific projects in Limpopo and the Western Cape; and is concerned about the delays in the implementation of projects approved through the Budget Facility for Infrastructure that resulted in funds being reduced from health infrastructure projects, given the current state of public hospitals, requiring maintenance in various provinces.

9.14 The Committee is concerned about the fact that there was no application made by the Northern Cape Provincial Government for additional funding to be made available to assist farmers who were affected by fire and as part of the initiative to promote food security in light of the prolonged drought in the Province.

9.15 Whilst the Committee welcomes the reprioritisation of funds to ensure better management of assets, achievement of value for money and efficiencies by local and provincial government, the Committee is concerned about the movement of funds away from the Provincial Roads Maintenance Grant to fund a system to centralise collected data, given that provincial roads are in a state of disrepair.

9.16 The Committee welcomes an additional amount of R81 million to the direct Regional Bulk Infrastructure Grant for the George Local Municipality for the implementation of the portable water security and remedial works projects.

9.17 The Committee welcomes the additional allocation of R14.70 billion to the equitable share to assist provinces to implement the wage agreement of the Public Service Coordinating Bargaining Council for the 2021/22 financial year.

9.18 The Committee notes the roll-over amount of R210 million for the School Infrastructure Backlogs Grant to complete projects that are part of the Sanitation Appropriate for Education initiative. The Committee remains concerned over the poor expenditure trend and slow progress for this programme to simply deal with the replacement and removal of inappropriate and unsuitable sanitation at schools.

9.19 The Committee welcomes the conversion of R167 million from the personal services component of the National Health Insurance (indirect) Grant to the HIV/TB, Malaria and Community Outreach Grant to allow provinces to procure directly for the provision of mental health and oncology services.

9.20 The Committee notes COSATU’s proposal that a single public sector bargaining council was necessary to address the disparities within government and would benefit government from a savings and budgetary point of view.

9.21 The Committee notes COSATU’s proposal for a single centralised online procurement system for certain large items to generate significant savings for government, ensure transparency, open space for small businesses, allow competition and further reduce corruption.

9.22 The Committee remains concerned about the large number of vacant funded government positions and the fact that COSATU members had been raising the issue for quite some times in various sectors without a satisfactory response from government.

9.23 The Committee notes COSATU’s proposal for increased taxes for wealthy South Africans, but expressed concern that top-earning individuals have begun leaving the country, some of whom had been contributing towards creating employment opportunities in the economy, and that COSATU's proposal could not worsen the situation.

10. Recommendations

The Select Committee on Appropriations, having considered submissions from various stakeholders on the *Division of Revenue Amendment Bill* [B19 - 2021], recommends as follows:

10.1 The National Treasury and the Cabinet should take into consideration the existing capacity of the officials and institutions to properly spend additional funds, when allocations are made to various provinces and municipalities. The situation where poor planning and lack of capacity to implement projects result in poor spending, unnecessary roll-overs and deviations, cannot be allowed to continue. The relevant Minister must further ensure that the implementation of consequence management is fast-tracked and, where necessary, law enforcement agencies are brought on board to recover any financial losses to the state and hold the implicated officials or politicians accountable.

10.2 Whilst the Committee welcomes the increased allocation for local government over the medium term period, the National Treasury and the Department of Cooperative Governance and Traditional Affairs, together with their provincial counterparts and the South African Local Government Association (Salga), need to work together to ensure that suitably qualified and experienced individuals are appointed to improve financial management capacity and service delivery in local government.

10.3 The National Treasury and the Department of Cooperative Governance and Traditional Affairs, together with their provincial counterparts, should ensure that concerns raised by Salga around the correctness of assumptions about collection of own revenue, contained in the 1998 Local Government White Paper, are addressed urgently.

10.4 The Department of Cooperative Governance and Traditional Affairs need to work with Salga to fast-track the implementation of the resolution around unfunded mandates, which was taken during the Local Government Budget Lekgotla in December 2020 and further ensure that funds always follow function.

10.5 The provincial departments of cooperative governance and provincial treasuries should work with Salga to ensure that proper interventions and systems to monitor service delivery in local government are implemented to address the issues around water loses and electricity challenges. Moreover, the Committee is of the view that the provincial executives of both finance and cooperative governance need to again work with Salga to enforce consequence management in relation to negative performance reports, failure to submit financial statements, and fruitless and wasteful expenditure, using the monthly and quarterly reports they receive.

10.6 The National Treasury should be proactive in ascertaining which provinces will not spend their housing budgets to ensure appropriate remedial actions are taken immediately, including the transfer of the funds to better performing provinces, and avoid last-minute gazettes, fruitless and wasteful expenditure and fiscal dumping towards the end of the financial year.

10.7 The National Treasury and the Department of Cooperative Governance and Traditional Affairs should ensure that challenges around delays and poor contracting, which led to the roll-over amount of R582 million for the Vaal River Pollution Remediation Project in Emfuleni Local Municipality, are addressed and the work verification process is completed for invoices to be paid as required. Otherwise, such delays will have a negative impact on the project completion timelines, service providers' cash flows and the livelihoods of their employees.

10.8 The Department of Cooperative Governance and Traditional Affairs, together with its provincial counterparts, should fast-track the implementation of the District Development Model to ensure systems are in place for more integrated delivery of services and ensure sufficient capacity, by driving coordination and alignment of processes; which have been a challenge in the local government sphere for many years.

10.9 The Department of Basic Education, together with provincial education departments, should ensure that the lack of parity between provinces regarding the stipend paid to ECD workers is urgently addressed, once the function shift from the Department of Social Development has been completed. COSATU and other federations should work with government to address this.

10.10 The National Treasury and the Department of Transport, together with their provincial counterparts, should make sure that allocations earmarked for the Provincial Roads Maintenance Grant are utilised effectively, according to the grant framework, to address the poor state of some provincial roads, which negatively affects economic activities. The quality of material used, workmanship and procurement processes for such projects need to improve in order to realise value for money.

10.11 With regard to hospital infrastructure maintenance, the National Treasury and the Department of Health, together with their provincial counterparts, should ensure that more resources are earmarked to deal with the current poor state of some hospital infrastructure, which requires proper maintenance in various provinces; especially given the advent of the COVID-19 pandemic. Furthermore, the quality of workmanship and material and procurement processes for such projects need to improve to achieve value for money.

10.12 The Department of Water and Sanitation, together with the Western Cape Provincial Treasury, should ensure that the implementation of the portable water security and remedial works project is expedited in the George Local Municipality and the allocated funds are spent according to the framework of the Regional Bulk Infrastructure Grant to ensure improved access to clean, drinkable water for all.

10.13 The National Treasury and the Department of Basic Education should ensure that the roll-over amount of R210 million for the School Infrastructure Backlogs Grant to complete projects that are part of the Sanitation Appropriate for Education initiative is properly spent to expedite the replacement and removal of inappropriate and unsuitable sanitation in certain provinces. The Committee is of the view that the pace at which this initiative is implemented, is unacceptably slow, given that this programme started in 2010. The Department should expand the programme to include the eradication of asbestos schools in certain provinces, if not already included.

10.14 The National Treasury and Department of Public Service and Administration, together with provincial treasuries, should ensure the effective implementation of the wage agreement of the Public Service Coordinating Bargaining Council for the 2021/22 financial year for public sector workers, according to the agreed terms. This should bring the much needed certainty and stability in the public service to ensure uninterrupted service delivery to the poor and vulnerable. Furthermore, government needs to ensure that funded vacant posts are filled urgently. COSATU and other federations should work with government to ensure progress in this regard.

10.15 The headcount cuts for the South African Police Service and teachers need to be reversed in order to protect frontline service delivery, the Committee is of the view that the headcount cuts should happen at the management level of each department as opposed to the levels at which services are being delivered.

10.16 The National Treasury and Cabinet need to ensure that concrete steps are taken to monitor the impact of the well-funded employment creation programmes, such as the Presidential Youth Employment Initiative, to achieve value for money and avoid mistakes that might have occurred in similar programmes in the past.

11. Committee Recommendation on the Bill

The Select Committee on Appropriations, having considered the *Division of Revenue Amendment Bill* [B19 – 2021] (National Assembly) referred to it and classified by the Joint Tagging Mechanism (JTM) as a Section 76 Bill, recommends that the Bill be adopted, without amendments.
The Democratic Alliance (DA), the Economic Freedom Fighters (EFF) and the Freedom Front Plus (FF+) rejected this Report.

Report to be considered.