



PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS & FINANCE

NEGOTIATING MANDATE

To: Chairperson of the Select Committee on Appropriations

Name of Bill: Division of Revenue Bill

Number of Bill: B6-2022

Date of Deliberation: 26 April 2022

VOTE OF THE LEGISLATURE:

The Portfolio Committee on Public Accounts and Finance as designated by the Free State Legislature votes in favor of the Bill subject to consideration of the following:

- a) **Interest rate charged on outstanding debt owed to Eskom** -the interest rate of 2,5% plus prime rate charged by Eskom to municipalities on outstanding debt is astronomical and even payment plan agreements entered into with municipalities are unrealistic. There is a need for intervention by the Minister of Trade and Industry together with the Minister of CoGTA as well as the Minister of Finance to find a suitable solution in assisting municipalities to emerge out of this financial distress.
- b) **Water Boards:** - the amendment to the Division of Revenue Act does not address in totality the challenges faced by municipalities in relation to debt owed, for example, disputes by municipalities with Water Boards regarding payment of their debt. The Committee is also uncertain on whether there is a process in place for quality assurance, and if such a process exist, how is it going to unfold.
- c) **Basic Services Component:** - the National Treasury should review the formula on the Basic Services component as the increase in municipal debt is a clear indication that most municipalities are unable to collect revenue.

- d) **Decline in rural municipalities and their inability to be self-sufficient:-** there is a need for national and provincial governments to assist municipalities in developing programmes that will unlock or make the environment conducive for economic activities.
- e) **District Development Model:-** the role to be played by the District Development Model in improving rural municipalities is unclear. There is a need for development of clear terms of references between the three (3) spheres of Government in this regard.
- (f) **Provincial Roads Maintenance Grant:-** the Provincial Roads Maintenance Grant allocation is insufficient to maintain and upgrade provincial roads within the Free State Province. Road infrastructure is key in resuscitating economic opportunities and provincial government need to make more funds available to invest in road infrastructure.
- (g) **Surrendering of Funds to other Provinces:-** money surrendered to the National Revenue Fund must not be diverted to other Provinces but rather be utilized within the Province to municipalities that are in dire need of funding. If funds are not redirected within the Province, it disadvantages communities that can be assisted. This regulation should be relooked into.
- (h) **The formula of Division of Revenue Act (DoRA):** the underlying factor in the DoRA formula is encouraging people to migrate to urban areas and rural remain underdeveloped and impoverished and this Act seems to be subtly re-introducing the apartheid spatial planning system.
- (i) **Sustainability of municipalities' fiscal services:** there is a need to relook into the allocation formula to municipalities that are impoverished and have a high unemployment rate with no economic growth activities. The Committee is of the view that a fact-finding mission should be undertaken to Xhariep District Municipality to look revitalizing the economic growth in that District as it is in a serious financial distress.
- (j) **Delay in approving business plans:** The delay by National Treasury in approving Business Plans, has a negative impact on the timeous and effective spending of conditional grants as it might result in roll-overs and forfeiture of funds to other provinces.
- (k) **Municipal debt:** National and Provincial Departments that owes municipalities on rates and taxes must be encouraged to pay as per previous payment agreements entered into.
- (l) **Presidential Youth Employment Initiative:** The Committee appreciates the increase on the allocation of the Presidential Youth Employment Initiative to address the education component (in respect of shortages of teachers), to fund Covid-19 and for Social Services.

(m) Bailing out of SoE's:- Instead of SoE's being bailed out, those funds should rather be redirected to municipalities to settle their Eskom and Water Boards debts.

The Portfolio Committee votes in favor of the Bill.



HON TP MEEKO
CHAIRPERSON OF PORTFOLIO COMMITTEE ON PUBLIC ACCOUNTS & FINANCE
FREE STATE LEGISLATURE

28 April 2022