



EASTERN CAPE PROVINCIAL LEGISLATURE

PORTFOLIO COMMITTEE ON FINANCE AND PROVINCIAL EXPENDITURE

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Date: 24 April 2023

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Ref: 2023 DoR Bill No2

NEGOTIATING MANDATE

To: The Chairperson:
Select Committee on Appropriations

Name of Bill: Division of Revenue Bill
Number of Bill: [B2-2023]
Date of Deliberation: 26 April 2022

Vote of the Legislature

The Legislature supports the Division of Revenue Bill [B2-2023] and mandates the Eastern Cape Permanent Delegate to the NCOP to vote in favour of the Bill within the following parameters:

The Committee, however, has the following Comments and Recommendations:-

Clause 2 Object of the Act

- (a) Clause 2 of the Bill seeks to promote predictability and certainty in respect of all allocations to provinces and municipalities, in order that provinces and municipalities may plan their budgets over a multi-year period and thereby promote better coordination between policy, planning and budgeting. However, the predictability and certainty of the allocations are somehow not guaranteed in practice. It is recommended that National Treasury sticks to the multiyear budget estimation allocations with minimal changes to ensure better planning and budgeting by the spheres of government.

(b) Clause 7 (1)(a) of the Bill : Conditional allocations to provinces

"7. (1) Conditional allocations to provinces for the 2023/24 financial year from the national government's share of revenue raised nationally are set out in—

- (a) Part A of Schedule 4, specifying allocations to provinces to supplement the funding of specific programmes or functions funded from provincial budgets; "..."*

It is recommended that specifying of allocations must include a specific purpose of a programme or function and this will indicate the specific purpose and the period for funding, as funds are utilized according to the purpose of the allocation.

- (c) Funding model for local government needs a complete overhaul. The current approach to budgeting should be reconsidered and changed. For instance, currently,

huge budget goes to national and provincial governments and smaller budget goes to local government. An equitable share of 9.7% is still not enough for local government, where most services to people are provided. Revenue collection by some municipalities (especial rural municipalities) is not effective as it should be collected from people and people are unemployed, instead municipalities spend lot of money on indigents. Some Municipalities cannot tax land in their jurisdiction as some are under land claims.

- (d) Removal of the historical backlogs component from the equitable share formula disadvantaged provinces like the Eastern Cape. The Province recommends that this must be brought back.
- (e) The absence of equitable share formula amongst the three spheres of government is still a concern.
- (f) Municipal emergency housing grant has been discontinued or removed from municipalities and moved to National Department of Human Settlement, this should be reconsidered. Most services to people are better provided at a local government level and therefore removing the emergency housing grant from municipalities to the National Department of Human Settlements make thing difficult for municipalities as far provision of emergency housing is concerned.
- (g) Clause 18 refers to stopping of allocations, and the concern here is the timing of the stopping of allocations. It must be latest by November for adjustment budget. The cut-off date is to prevent a similar case that EC experienced in the 2021/22 second adjustment estimate where the gazette was published on 16 May 2022 and did not allow sufficient time for an adjustment budget to be passed.
- (h) The ability by provinces of spending funding/budget which was stopped and reallocated within a short space of time before the end of the financial year, is a concern. The issue of the timing of stopping allocations is a concern. For example, funds received in the last quarter by provinces, whereby provinces are expected to spend those by the end of that particular financial year is a challenge for provinces.
- (i) The issue of taking funding from underspending provinces and allocate it to overspending provinces is another cause of concern. The overspending by a particular department or municipality in a province must be funded by that province's funds (equitable share or provincial funding). Therefore, the Bill should rather include a clause that will state that *"where a department overspend the grants, the overspending should be funded by the province's funds (equitable share or provincial funding) instead of taking funds from other underperforming provinces"*.
- (j) The Province is of a view that National Treasury should be an active institution that anticipates Financial Misconduct on time and apply consequence management.
- (k) On the development of the budget before it becomes a Bill, the South African Local Government Association (SALGA) should be part of the process and not just debate the budget at the end.
- (l) Some Conditional Grants like INEP should be allocated fully to Local Government. The Informal Settlements Upgrading Partnership Grant, the Urban Settlements

development Grant and the Public Transport Network Grant should also be considered for secondary towns, they must not be allocated to Metros only.

(m) Municipalities are owed huge amounts of money by Provincial Departments and both National and Provincial Treasury have no intervention strategy for Departments to pay their debts.

(n) It is of concern that no budget for Agri-Hubs in the Province, agricultural activities need to be boosted, while it is continuing in other Provinces.



HON. N NDABENI (MPL)
CHAIRPERSON OF PORTFOLIO COMMITTEE
ON FINANCE AND PROVINCIAL EXPENDITURE

25 April 2023

DATE