



REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM ON THE DIVISION OF REVENUE AMENDMENT BILL [B33 - 2023]

1. INTRODUCTION

The Speaker of the Legislature referred the Division of Revenue Amendment Bill [B33 - 2023] (the Bill) to the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism (the Committee) for consideration and report back to the House in accordance with the legal prescripts and the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules).

In terms of Section 118 (1) of the Constitution of the Republic of South Africa, 1996 (the Constitution) the Mpumalanga Provincial Legislature (the Legislature) has a mandate to facilitate public involvement in the legislative and other processes of the Legislature and its Committees. Therefore, the Committee conducted a public hearing to solicit public inputs and views from members of the public on the above-mentioned Bill.

2. OBJECTIVES OF THE BILL

The Bill seeks to amend the Division of Revenue Act, 2023 in accordance with the Money Bills and Related Matters Act, 2009; and to provide for matters connected therewith.

3. METHOD OF WORK

The Section 76 Bill was referred to the Committee immediately after being referred from the National Council of Provinces (NCOP) to the Legislature. Subsequently, the Committee interacted on the Bill as follows:

- a) The Committee received a briefing on the Bill from the Mpumalanga NCOP Permanent Delegate and officials from the National Treasury.
- b) Inputs were received from the Provincial Treasury.
- c) The Committee invited public inputs and comments on the Bill by publishing advertisements in the Legislature Social Media Platforms and Print media.
- d) The Committee determined that public input should be solicited on the Bill and public hearings were conducted in the two (02) districts in the province.
- e) The Committee received a briefing by the NCOP permanent delegate on 24 November 2023.
- f) The Committee met to consider the report and Negotiating Mandate on the Bill on the 27 November 2023.
- g) Subsequently, the Committee will meet to consider its report and Final Mandate on the Bill on the 29 November 2023.

4. INTERACTION BY THE COMMITTEE WITH THE MPUMALANGA NCOP PERMANENT DELEGATE ON THE BILL

The Mpumalanga NCOP Permanent Delegate appreciated the time afforded to her to present the Bill to the Committee. She reported that officials from the National Treasury have been delegated to assist with the briefing in the province. The following was noted from the Mpumalanga NCOP Permanent Delegates' overview:

- The Division of Revenue Adjustment Bill [B33-2023] was introduced by the Minister of Finance, Hon E Godongwana, in terms of section 12(4) of the Money Bills Amendment Procedure and Related Matters Act No. 9 of 2009 (as amended by the Money Bills Amendment Procedure and Related Matters Amendment Act No. 13 of 2018) on 01 November 2023 during the presentation of the 2023 Medium Term Budget Policy Statement (MTBPS).
- The provincial government receives **R46 674 217 000.00** in equitable share and an additional allocation of **R1 377 000 000.00** which equals to a revised share of **R48 051 000 000.00**.

- The NCOP Select Committee on Appropriations has considered the Bill and all processes have been followed in referring the Bill to provinces as required by Section 76 of the Constitution.
- This means that provinces will have to consider the Bill and confer to their NCOP Permanent Delegates the mandate to vote on the Bill.

5. PRESENTATION BY NATIONAL TREASURY

After the overview made by the Mpumalanga NCOP Permanent Delegate, the National Treasury made a presentation to the Committee. The following was noted from the presentation:

5.1. Provincial Allocations in 2023/24

The revised budget for Mpumalanga province amounts to **R48 051 000 000.00**, no conditional grants were received.

Division of Revenue Amendments Bill – Proposed amendments

Division of Revenue Act [Act 5 of 2023]

Act passed by Parliament and signed by the President in June 2023, contains:

- Clauses of the Act set requirements for transfer of funds, reporting on funds, conditions that may be set for grants and enforcement mechanisms.
- Schedules to the Act contain equitable share and grant allocations.

Government Gazette No. 48865 of 30 June 2023

215-page gazette signed by the Minister of Finance contains:

- Grant frameworks setting out conditions and responsibilities attached to each conditional grant.
- Allocations per individual municipality
- Supplementary detail for allocations (e.g., split per grant component)

Division of Revenue Amendment Bill [B 33-2023]

Bill tabled on 01 November 2023 contains:

- In-year adjustments to allocations, consistent with limitations in S30 of the Public Finance Management Act (PFMA).

- Request to correct a gazetted framework.

Section 30(2) of the PFMA says that a national adjustments budget may only provide for:

- adjustments required due to significant and unforeseeable economic and financial events affecting the fiscal targets set by the annual budget;
- unforeseeable and unavoidable expenditure recommended by the national executive or any committee of Cabinet members to whom this task has been assigned;
- any expenditure in terms of section 16;
- money to be appropriated for expenditure already announced by the Minister during the tabling of the annual budget;
- the shifting of funds between and within votes or to follow the transfer of functions in terms of section 42;
- the utilisation of savings under a main division of a vote for the defrayment of excess expenditure under another main division of the same vote in terms of section 43; and
- the roll-over of unspent funds from the preceding financial year.

Changes in the schedules

- The main purpose of the Division of Revenue Amendments Bill (DoRAB) is to amend “Column A” of the DoRA schedules which shows the allocation for the current year.
- The new “Column A” created by the DoRAB shows the original allocation, the adjustment and the new allocation to maximise transparency in the adjustment process.
- “Column A” is amended for schedules 1, 2, 3, 4 (Parts A and B), 5(Parts A and B),6 (Parts A and B) and 7 (Part B)

Schedule 1 from 2023 DoRA

Spheres of Government	Column A	Column B	
	2023/24	Forward Estimates	
		2024/25	2025/26
	R'000	R'000	R'000
National ^{1,2}	1 370 506 087	1 446 672 800	1 542 867 018
Provincial	567 527 713	587 499 698	614 270 842
Local	96 546 258	103 772 035	109 368 064
TOTAL	2 034 580 058	2 137 944 533	2 266 505 924

Schedule 1 from 2023 DoRAB

Spheres of Government	Column A		
	2023/24 Main Allocation	Adjustment	2023/24 Adjusted Allocation
	R'000	R'000	R'000
National ^{1,2}	1 370 506 089	(2 555 077)	1 367 951 012
Provincial	567 527 713	17 558 206	585 085 919
Local	96 546 258	(1 357 517)	95 188 741
TOTAL	2 034 580 060	13 645 612	2 048 225 672

Changes to Provincial allocations

- Additions are made in PES for health and education to compensate for the 2023/24 wage settlement implication.
- Additions are based on the headcount per province in health and education.

Reprioritisation and Rollovers**Reprioritisation**

- R57 000 000.00 is reprioritised from the school infrastructure backlogs grant to the vote of the national Department of Basic Education. Of this amount R32 000 000.00 will fund compensation of employee's pressures; and R25 000 000.00 will fund information and communication technology upgrades in the national Department of Basic Education.

Rollover

- R137 000 000.00 is rolled over in the school infrastructure backlogs grant. Of this amount, R93 000 000.00 is for the completion of projects of the Sanitation Appropriate for Education initiative for schools; R26 000 000.00 is for the completion of projects of the Accelerated Schools Infrastructure Delivery Initiative; and R18 000 000.00 is for associated management costs. The funds are for schools in Eastern Cape, KwaZulu-Natal and Limpopo.

Adjustments to 2023/24 Local Government Allocations

- R309 000 000.00 is reprioritised from the indirect component of the regional bulk infrastructure grant to the indirect component of the water services infrastructure grant to enable the Department of Water and Sanitation to manage contractual obligations, budget pressures, accruals and payables for projects in several municipalities.

Reductions

R thousands	2023/24
Direct Transfers	-6 226 195
Agriculture	-167 229
Comprehensive Agricultural Support Programme Grant	-124 859
Ilima/Letsema Projects Grant	-35 500
LandCare Programme Grant	-6 870
Basic Education	-1 730 558
Early Childhood Development Grant	-58 053
Education Infrastructure Grant	-1 594 911
HIV and AIDS (Life Skills Education) Grant	-27 790
Maths Science Technology Grant	-49 804
Health	-1 440 000
District Health Programmes Grant	-1 000 000
Health Facility Revitalisation Grant	-440 000
Human Settlements	-2 165 681
Human Settlements Development Grant	-1 688 968
Informal Settlements Upgrading Partnership Grant	-476 713
Public Works	-61 727
Expanded Public Works Programme Integrated Grant for Provinces	-31 160
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	-30 567
Sports, Arts and Culture	-111 000
Community Library Services Grant	-68 000
Mass Participation and Sport Development Grant	-43 000
Transport	-550 000
Provincial Roads Maintenance Grant	-550 000
Indirect transfers	-316 539
Basic Education	-316 539
School Infrastructure Backlogs Grant	-316 539
Total	-6 542 734

- Only conditional grants were reduced in-year.
- PES was spared from in-year reductions.
- The school infrastructure backlogs grant reduction includes the reprioritisation of R57 000 000.00. Of the R260 000 000.00 reduced, R175 000 000.00 forms part of the budget consolidation as a reduction for this grant and R85 000 000.00 is reduced to lower a reduction on the early childhood development grant.
- The national school nutrition programme grant has been protected and a larger reduction is made to education infrastructure grant.

Changes to gazetted frameworks & allocations

- Section 15(4) of the Division of Revenue Act, 2023, requires National Treasury to consult Parliament on any proposed changes to a conditional grant framework for the purposes of correcting an error or omission.

Changes to allocations

- Expanded public works programme integrated grant for provinces:** Allocations of R3 000 000.00 and R4 000 000.00 that were previously allocated to the former Western Cape Department of Human Settlements, and Department of Transport and Public Works respectively have been combined to a single allocation for the new provincial Department of Infrastructure.

Adjustments to Mpumalanga provincial allocations for 2023/24

Mpumalanga	Main appropriation: 2023/24	Total adjustments: Equitable share	Adjustments: Conditional grants		Total: 2023/24 Adjustments	National adjusted appropriation: 2023/24
			Reductions	Total adjustments: Conditional grants		
R thousand						
Transfers from National of which	56 407 937	1 376 857	-381 156	-381 156	995 701	57 403 638
Equitable share	46 674 214	1 376 857	-	-	1 376 857	48 051 071
Conditional grants of which	9 733 723	-	-381 156	-381 156	-381 156	9 352 567
Agriculture, Land Reform and Rural Development	249 238	-	-13 830	-13 830	-13 830	235 408
Comprehensive Agricultural Support Programme Grant	167 730	-	-12 500	-12 500	-12 500	155 230
Ilima/Letsema Projects Grant	71 678	-	-1 000	-1 000	-1 000	70 678
Land Care Programme Grant: Poverty Relief and	9 830	-	-330	-330	-330	9 500
Basic Education	2 265 174	-	-165 681	-165 681	-165 681	2 099 493
Early Childhood Development	100 307	-	-140	-140	-140	100 167
Maintenance Component	11 096	-	-140	-140	-140	10 956
Subsidy Component	89 211	-	-	-	-	89 211
Education Infrastructure Grant	1 184 469	-	-157 417	-157 417	-157 417	1 027 052
HIV and AIDS (Life Skills Education) Grant	18 586	-	-3 088	-3 088	-3 088	15 498
Learners With Profound Intellectual Disabilities Grant	31 650	-	-	-	-	31 650
Maths, Science and Technology Grant	43 784	-	-5 036	-5 036	-5 036	38 748
National School Nutrition Programme Grant	886 378	-	-	-	-	886 378
Health	3 495 529	-	-99 881	-99 881	-99 881	3 395 648
District Health Programmes Grant	2 469 999	-	-69 386	-69 386	-69 386	2 400 613
Comprehensive HIV/AIDS Component	2 139 426	-	-69 386	-69 386	-69 386	2 070 040
District Health Component	330 573	-	-	-	-	330 573
Health Facility Revitalisation Grant	493 450	-	-30 495	-30 495	-30 495	462 955
Human Resources and Training Grant	281 115	-	-	-	-	281 115
Statutory Human Resources Component	154 778	-	-	-	-	154 778
Training Component	126 337	-	-	-	-	126 337
National Health Insurance Grant	99 022	-	-	-	-	99 022
National Tertiary Services Grant	151 943	-	-	-	-	151 943

Mpumalanga	Main appropriation: 2023/24	Adjustments: Conditional grants			Total: 2023/24 Adjustments	National adjusted appropriation: 2023/24
		Total adjustments: Equitable share	Reductions	Total adjustments: Conditional grants		
R thousand						
Human Settlements	1 251 035	-	-32 410	-32 410	-32 410	1 218 625
Human Settlements Development Grant	964 277	-	-	-	-	964 277
Informal Settlements Upgrading Partnership Grant: Provinces	286 758	-	-32 410	-32 410	-32 410	254 348
Public Works and Infrastructure	53 916	-	-4 152	-4 152	-4 152	49 764
Expanded Public Works Programme Integrated Grant for Provinces	30 061	-	-2 442	-2 442	-2 442	27 619
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	23 855	-	-1 710	-1 710	-1 710	22 145
Sport, Arts and Culture	223 491	-	-11 549	-11 549	-11 549	211 942
Community Library Services Grant	170 726	-	-8 000	-8 000	-8 000	162 726
Mass Participation and Sport Development Grant	52 765	-	-3 549	-3 549	-3 549	49 216
Transport	2 195 340	-	-53 653	-53 653	-53 653	2 141 687
Provincial Roads Maintenance Grant	1 452 872	-	-53 653	-53 653	-53 653	1 399 219
Public Transport Operations Grant	742 468	-	-	-	-	742 468

6. INPUTS BY THE PROVINCIAL TREASURY

- The General Manager: Sustainable Resource Management reported that, as the Provincial Treasury, they are aware of the revised allocations and appreciate what is presented to the province. They reported that specific departments have been allocated funds accordingly.
- Provincial Treasury further reported that they have advised departments to reprioritise within their baselines to be able to cover the cost-of-living adjustments.

7. INPUTS BY LEGAL SERVICES

The Legal Services unit welcomed the presentation by the NCOP Permanent Delegate and indicated that the Bill as presented is legally sound. It was mentioned that the Legislature will allow for the public participation processes to unfold as part of processing the bill and thereafter a report will be compiled together with the Negotiating Mandate and sent to NCOP for further handling and processing.

8. DELIBERATIONS BY THE COMMITTEE

The Committee welcomed the presentation by the Mpumalanga NCOP Permanent Delegate, the National Treasury and inputs by the Provincial Treasury. The Committee noted the allocations to the Province.

9. PUBLIC INVOLVEMENT

To adhere to Section 118(1) of the Constitution that mandates the Legislature to facilitate public involvement in the legislative and other processes of the Legislature and its Committees, the Committee resolved to conduct public hearings in the two (2) Districts within the Province. The Committee planned to conduct the public hearings as follows:

DATE	VENUES
Friday, 24 November 2023	Ehlanzeni District: Nkomazi Local Municipality – Kamaqhekeza Community Hall
Friday, 25 November 2023	Gert Sibande District: Mkhondo Local Municipality – Saul Mkhize Community Hall

9.1. Public Hearings

Invitations to the public hearing were extended to a broad segment of stakeholders. The Committee made a call for attendance of the public hearing and to submit written submissions by using digital media. The Bill was also published on the Lowvelder, Khanyisa News, Mpumalanga Provincial Legislature Website and social pages.

No written comments were received in respect of the advertisements in all digital media platforms.

The Public Participation and Petitions Unit (PPU) of the Legislature mobilised communities in the two (02) districts of the province to attend the public hearings.

During the public hearing Committee Members explained that the Legislature seeks inputs and opinion on the legislation at hand from specific stakeholders and communities within the Province. It was emphasised that the inputs by stakeholders and communities are important to the Legislature and they will be duly considered, conveyed to the NCOP and National Government through the relevant channels.

The public was provided with a thorough overview on the Bill and the Legal Section from the Legislature; and the Provincial Treasury assisted the Committee in the public hearings.

Comments by the Public

Although the public agreed in general on the proposed objectives of the Bill; some issues were raised, amongst them the following:

a. Members of the public in the Kamaqhekeza Community Hall raised the following:

- Members of the community welcomed the bill as presented and requested the portfolio committee to ensure that the adjusted funds are spent for its intended purposes and that there is proper accountability for every incurred expenditure.

b. Members of the public in the Saul Mkhize Community Hall raised the following:

- Members of the community welcomed the bill as presented and requested the Hon Members of the Committee to ensure that the adjusted funds are spent for its intended purposes and that there is proper accountability for every incurred expenditure.

The stakeholders and members of both communities at large who were present at the public hearings, unanimously supported the Bill.

10. OBSERVATIONS AND FINDINGS MADE BY THE COMMITTEE

The Committee made the following observations and findings:

- 10.1. An amount of R1 400 000 000.00 allocated in the local government equitable share is declared as under-expenditure.
- 10.2 No reduction to the local government equitable share.
- 10.3 R1 200 000 000.00 in 2023/24 financial year is ring-fenced for the reconstruction and rehabilitation of municipal infrastructure damaged by the floods that occurred between February and March 2023, although this funding may only be utilised for approved projects as listed in the post disaster verification assessment reports and business plans were approved by the National Disaster Management Centre (NDMC).

11. RECOMMENDATIONS

The Committee supports the Bill and makes the following recommendations:

- 11.1. The Department of Cooperative Governance and Traditional Affairs must ensure that municipalities implement their approved APPs to the latter, to avoid further under-expenditure.
- 11.2 The Department of Cooperative Governance and Traditional Affairs must strengthen its monitoring systems in the Provincial municipalities and have strict accountability tools since no reduction was made in Local Government.
- 11.3 The Department of Cooperative Governance and Traditional Affairs must draw a list of all damaged properties and be submitted for approval to the National Disaster Management Centre (NDMC) so they can access the rehabilitation budget.

12. VOTE OF THE LEGISLATURE

The delegation representing the Province of Mpumalanga in the National Council of Provinces (NCOP) is conferred with authority and is mandated to vote in favour of the Division of Revenue Amendments Bill [B33 – 2023].

13. CONCLUSION

The Chairperson, Hon TS Thomo, extends his appreciation to Members of the Committee, the Mpumalanga NCOP Permanent Delegate, Hon DG Mahlangu, the MEC for Finance; Economic Development and Tourism, Hon NE Hlophe, and officials from the National and Provincial Treasury for their active participation, input and contributions during the deliberations on the **Division of Revenue Amendments Bill [B33 - 2023]** as well as the support staff for contributing to the production of this report.



HON TS THOMO, MPL

27/11/2023

DATE

CHAIRPERSON: PORTFOLIO COMMITTEE ON PREMIER'S OFFICE: FINANCE; ECONOMIC DEVELOPMENT AND TOURISM