



REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM ON THE DIVISION OF REVENUE BILL [B4 - 2024]

1. INTRODUCTION

The Speaker of the Legislature referred the Division of Revenue Bill [B4 - 2024] (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

To provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2024/25 financial year; the determination of each province's equitable share; allocations to provinces, local government and municipalities from national government's equitable share; the responsibilities of all three spheres pursuant to such division and allocations; 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.
- d) The Committee determined that public input should be solicited on the Bill and public hearings were conducted in the three (03) districts in the province.
- e) The Committee received a briefing by the NCOP permanent delegate on 16 April 2024.
- f) The Committee met to consider the report and Negotiating Mandate on the Bill on the 23 April 2024.
- g) Subsequently, the Committee met to consider its report and Final Mandate on the Bill on the 26 April 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 Bill [B4 - 2024] focuses on fiscal sustainability, economic recovery and reconstruction. It further focuses on maintaining the social wage and job creation as per the 2022 Medium-Term Budget Policy Statements (MTBPS) and the 2024 State of the Nation Address (SONA) as delivered by President MC Ramaphosa on 08 February 2024.
- The budget for the 2024/25 financial year, amounts to **R2 136 580 058 .00**. National share of revenue increases at an annual average rate of 2.6 per cent.
- Transfers to provinces increase at an average annual rate of 3.8 per cent, with the Equitable Share growing faster than the Conditional Grants.

- Transfers to local government grow at an average annual rate of 5.2 per cent.
- The provincial government receives **R49 112 789 000.00** in Equitable Share and **R10 099 086 000.00** in Conditional Grants.
- 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 2024/25

The Equitable Share for Mpumalanga province amounts to **R49 112 789 000.00** and the Conditional Grants amount to **R10 099 086 000.00**.

5.1.1 Changes to Provincial Equitable Share allocations

5.1.1.1 Reductions

To respond to fiscal pressures, the provincial equitable share(all nine provinces) is reduced by R19 600 000 000.00 in 2024/25, R20 600 000 000.00 in 2025/26 and R21 300 000 000.00 in 2026/27.

5.1.1.2 Reprioritisations and additions

The 2023 MTBPS announced an additional R68 200 000 000.00 to cover the carry-through cost of 2023 public-service wage agreement for education and health.

An amount of R3 900 000 000.00 has since been redirected to the provincial Conditional Grants in these two sectors that fund employee compensation. R136 000 000.00 has been redirected to the Conditional Grants in the Education sector and R3 800 000 000.00 to the Conditional Grants in the

Health sector. The remaining R64 200 000 000.00 remains in the provincial Equitable Share and is allocated to provinces through the Equitable Share formula.

A further R37 300 000 000.00 has been added to the provincial Equitable Share over the Medium-Term Expenditure Framework (MTEF), mainly for Education and Health, to continue to support provinces with the cost pressures emanating from the public-service wage agreement.

5.1.2 Changes to provincial conditional grants

5.1.2.1 Reductions

To respond to fiscal pressures, provincial Conditional Grants are reduced by R26 800 000 000.00 over the MTEF. Reductions amount to R6 000 000 000.00 in 2024/25, R9 000 000 000.00 in 2025/26 and R11 800 000 000.00 in 2026/27.

5.1.2.2 Reprioritisations

An amount of R1 100 000 000.00 was previously added to the Early Childhood Development Grant to pilot a nutrition support programme and a result-based service delivery model. These funds are reprioritised to national government over the medium term as the nutrition support programme and result-based service delivery model will be implemented by national government.

An amount of R737 000 000.00 is shifted from National Health Insurance Grant to the National Tertiary Services Grant, to allow for the funding of oncology services to be consolidated under a single conditional grant.

To improve the management of the National Health Insurance Indirect Grant, the Personal Services component and the Non-Personal services component have been merged to form a new Health Systems Component.

5.1.3 Changes to direct provincial transfers

Due constrained fiscal environment, a careful balance had to be made to ensure that the fiscal framework is credible. This meant some funds had to be reduced for fiscal consolidation and redirected to other pressing government priorities:

- Net additions to provinces after accounting for reductions and reprioritisations is R19 300 000 000.00 over the Medium-Term Expenditure Framework (MTEF). Made up of net addition of R40 000 000 000.00 to provincial equitable share.

5.1.4 Changes to local government allocations

5.1.4.1 Reductions reversed and reductions adjusted downwards

Previous reductions of R5 100 000 000.00 proposed to the general fuel levy sharing with metropolitan municipalities have been reversed and previous reductions to the integrated national electrification programme (municipal) grant, municipal disaster response grant and the municipal systems improvement grant were revised downwards.

5.1.4.2 Further reductions

To make funds available for other government priorities, reductions have been made to some municipal conditional grants over the 2024 MTEF period. Some of these include:

- Additional reduction of R3 500 000 000.00 to the integrated national electrification programme (Eskom) grant.
- Additional reduction of R852 000 000.00 to the indirect component of the regional bulk infrastructure grant.

5.1.5 Conversions

An amount of R58 000 000.00 in 2024/25 is converted from the direct component of the Municipal Infrastructure Grant (MIG) to the indirect component. An amount of R587 000 000.00 from the direct component of the Regional Bulk Infrastructure Grant is converted to the indirect component.

5.1.5.1 Reprioritisations and additions

An amount of R1 500 000 000.00 is shifted to the Municipal Disaster Recovery Grant to fund the repair and recovery of municipal infrastructure damaged by disasters. R2 000 000 000.00 is shifted to fund the baseline for the new Smart Meters Grant.

An allocation of R650 000 000.00 is added in 2024/25 to the Neighbourhood Partnership Development Grant to fund the Cities Public Employment Programme.

5.1.6 Changes to the Schedules of the Bill

Schedule 6, Part B is updated to include a new Smart Meters Grant that will be funding the installation of bi-directional smart metering systems in municipalities.

6. INPUTS BY THE PROVINCIAL TREASURY

- The General Manager: Sustainable Resource Management reported that, as the Provincial Treasury, they are aware of the given allocations and appreciate what is presented to the province. She reported that funds that were allocated to specific departments have been allocated to the respective departments.

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 and sent to NCOP for further processing.

8. DELIBERATIONS BY THE COMMITTEE

The Committee welcomed the presentation by the Mpumalanga NCOP Permanent Delegate (Hon. D Mahlangu), 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 three districts of the province. The Committee planned to conduct the public hearings as follows:

DATE	VENUES
Wednesday, 17 April 2024	Nkangala District: Dr JS Moroka Local Municipality – Dikgwale Community Hall
Thursday, 18 April 2024	Gert Sibande District: Chief Albert Luthuli Local Municipality – Ekulindeni Community Hall
Friday, 19 April 2024	Ehlanzeni District – Bushbuckridge Local Municipality – Meriam Magakan 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 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 all three (03) districts of the province to attend the public hearings.

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

The public was provided with the purpose of the Bill by the Legal Section from the Legislature, Provincial Treasury and the Legal Section also responded to clarity seeking questions raised during the public hearings.

9.2 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. Inputs by Nkangala District (Dr JS Moroka Municipality)-Dikgwale Community Hall raised the following:

- Members of the community appreciated the bill and urged the legislature to conduct intensive oversight, ensure that the allocated budget to departments is utilised accordingly and basic services are delivered to the communities
- It was requested that more public education workshops on government programmes be conducted and effective services be provided in government institutions.

b. Inputs by Gert Sibande District (Chief Albert Luthuli Municipality) - Ekulindeni Community Hall raised the following:

- Members of the community raised a concern on the scholar transport deficiencies was raised.
- The community made a request for the erection of a bridge which is not completed, which becomes a challenge in the rainy seasons and not safe for learners.
- The community must be given a priority during the awarding of tenders and local service providers must be appointed.
- Department of Health and District offices not effectively assist the community, People with Disabilities are more disadvantaged with proper resources.

c. Inputs by Ehlanzeni District (Bushbackridge Municipality) - Meriam Mogakane Community Hall raised the following:

- Members requested the grading of roads to be done on a quarterly basis
- Government must put an end to load shading
- There were no enough inputs and comments from the community, they supported the Bill as presented

The stakeholders, 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. There are updates to schedules of the Bill.
- 10.2 Changes to Provincial transfers include additional allocations to respond to wage pressures mainly on education and health.
- 10.3 Rural provinces receive higher allocations than urban provinces.

11. RECOMMENDATIONS

The Committee supports the Bill and makes the following recommendations:

- 11.1. Provincial departments must familiarise themselves with the effected changes. Furthermore, departments must enforce these changes in their daily business practice.
- 11.2 Departments must implement wage increments in the current financial year because there is budget allocated for that.
- 11.3 Departments must work together with local government and ensure municipalities are capacitated on matters relating service delivery. Furthermore, the Office of the Premier must monitor and ensure that people living in rural areas are provided with better basic services.

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 Bill [B4 – 2024].

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 Bill [B4 - 2024]** as well as the support staff for contributing to the production of this report.



HON TS THOMO, MPL

23/04/2024

DATE

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