

Report of the Standing Committee on Budget and Money Bills dated 29 April 2024 as follows:

1. *Terms of reference*

The terms of reference of the Committee were to consider the **Division of Revenue Bill [B4-2024]**, which was referred by the National Council of Provinces to the Eastern Cape Provincial Legislature, solicit public inputs on the Bill and consolidate the Province's Negotiating Mandate and report to the House.

2. *Method of Work*

The Committee conducted Virtual Public Hearings on 22 April 2024.

3. *Public Consultation and Education*

The Committee invited stakeholders to participate in the public hearing and to make written submissions. The stakeholders include local and district municipalities, Eastern Cape Chamber of Commerce and its branches, Provincial Treasury, Office of the Premier and all Provincial Departments. Stakeholders who attended the Public Hearing were +- 20

The Committee conducted desktop notification of stakeholders in all districts Municipalities and Metros including stakeholders. The Committee's publicity on the Bill were also done using social media.

Twitter and Facebook:

- Public notice and a call for written submissions on the Bill were made using Twitter and Facebook.

4. *Summary of the Public inputs as adopted by the Committee for purposes of submitting the Negotiating Mandate to the NCOP*

- **The Bill was supported but the following concerns were raised:-**
 - Changes to Clause 25 on new allocations during financial year and Schedule 7 allocations relating to funds must be transferred within a 100 days after the date of the classification of a disaster and the empowerment of the National Disaster Management Centre to stipulate timeframe within which Schedule 7 allocations must be spent within relevant financial year, are most welcome to the Province.
 - With respect to the R1.1 billion reprioritisation of the ECD grant the Provinces hopes this will address the challenges in ECD as 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.

- Reference to the State Liability Bill as a solution when requests for additional funding to address medico-legal claims is partially acceptable to the Province. Whilst the legal implication of the retrospective application of the Bill in regard is understandable, the challenge faced by the Province is current and on-going.
- Regarding unspent conditional grants at local government level and in particular, the Municipal Infrastructure Grant (MIG), it is recommended that the funds should be transferred or redirected within the district (for local municipalities) whereby the current expenditure is in line with projections or planned service delivery.
- There were no written submissions received by the Committee.

5. Consideration of inputs from the public hearings and proposed amendments by the Portfolio Committee

- The Committee, having considered the inputs received from the public hearings at its meeting of the 23 April 2024, adopted negotiating mandates voting in favour of the Division of Revenue Bill, 2024 and that the Permanent Delegate to the NCOP should vote in favour of the Bill.

6. Findings

- The NCOP considered negotiating mandates from provinces on 24 April 2024 and the following are the responses to the general comments sent by the Legislature in the negotiating mandate:
 - **Changes to Clause 25 on new allocations during financial year and Schedule 7 allocations relating to funds must be transferred within a 100 days after the date of the classification of a disaster and the empowerment of the National Disaster Management Centre to stipulate timeframe within which Schedule 7 allocations must be spent within relevant financial year, are most welcome to the Province.**
 - Response: The National Treasury notes the comment.
 - **With respect to the R1.1 billion reprioritisation of the ECD grant the Province hopes this will address the challenges in ECD as 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.

- Response: When the funds were previously allocated to the grant, the main purpose was to pilot the nutrition support programme and results-based service delivery model. Therefore, the funds will be used for their initial purpose of piloting of the nutrition support programme and a results-based service delivery model within the ECD. The programmes are being implemented by national government because the models for providing school nutrition will require more flexibility than what the conditional grant framework can allow for. Moreover, the funding for the results-based model will be used to leverage funding from NGOs that are willing to pay for the results achieved with uniform standards being set for measurement.
- The remaining allocations in the conditional grants will continue to fund the improvement of children's access to ECD and ensure that early childhood development centres have adequate infrastructure. The conditional grant is allocated R5.5 billion over the 2025 Medium Term Expenditure Framework (MTEF).
- **Reference to the State Liability Bill as a solution when requests for additional funding to address medico-legal claims is partially acceptable to the Province. Whilst the legal implication of the retrospective application of the Bill in regard is understandable, the challenge faced by the Province is current and on-going.**
- Response: This work, that is being done by the national Department of Health and the Department of Justice, is intended to deal with the payment of medico-legal claims and related matters through the State Liability Bill. Currently all medico-legal claims related matters that took place in the Eastern Cape and affecting the provincial Department of Health are being attended to, by the provincial treasury, through the Office of the Provincial Accountant-General, as part of the Eastern Cape intervention in the department and through a provincial budget process. As soon this process is done, the provincial treasury will take this matter to the Eastern Cape Provincial Legislature for perusal and consideration. The provincial treasury process should be done expeditiously, as this process will be to the benefit of the provincial Department of Health.
- **Regarding unspent conditional grants at local government level and in particular, the Municipal Infrastructure Grant (MIG), it is recommended that the funds should be transferred or redirected within the district (for local municipalities) whereby the current expenditure is in line with projections or planned service delivery.**
- Response: The stopping and reallocation process as outlined in sections 18 and 19 of the Bill does allow for what is proposed by the Committee; and this is a common practice in the MIG. However, there are instances where

even the district municipality does not have the capacity to implement projects on behalf of the local municipalities or is not authorised to perform certain functions e.g. water and sanitation. In such instances, the allocations can be converted to indirect allocations. This is done in terms of section 20(2) of the Bill, allowing the relevant department (in this case, the Department of Cooperative Governance [DCoG]) to implement projects on behalf of the relevant municipality. This practice is also common in the water and sanitation grants administered by the Department of Water and Sanitation (DWS).

Signed by:



HON. T. DUBA
CHAIRPERSON:
STANDING COMMITTEE ON BUDGET
AND MONEY BILLS.

29 APRIL 2024
DATE