

## **REPORT OF THE PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY ON 2024 DIVISION OF REVENUE BILL [B4-2024]**

### **1. INTRODUCTION**

The 2024 Division of Revenue Bill was referred to the Legislature by the National Council of Provinces (NCOP). The Legislature referred it to the Portfolio Committee on Provincial Treasury for consideration; conferral of negotiating mandate to NCOP and to report to the House for the conferral of the final mandate to NCOP.

### **2. PURPOSE OF THE BILL**

The Bill seeks 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. CONSIDERATION OF THE BILL**

The Committee received a briefing on the 2024 Division of Revenue Bill by National Treasury in a virtual meeting held on 26 April 2024. Upon the briefing, committee members agreed that the mandate to vote in favour of the Bill should be conferred to NCOP.

The Committee had acknowledged receipt of the minutes from the Select Committee on Appropriations iro negotiating mandates of provinces including all inputs made by provinces pertaining the Bill.

### **4. BRIEFING BY NATIONAL TREASURY**

**The Committee would like to inform the House about the following deliberations which were made on the Bill:-**

The Committee and all invited guests were briefed about the transfers to national, provincial and local spheres of government. The briefing included substantive changes to the Bill which effected changes on sections 10, 12, 14, 16, 20 and 25 of the Bill, technical updates to the provincial equitable share formula, changes to the provincial equitable share allocations which introduced reductions and reprioritisations/additions, changes to direct provincial transfers and equitable division of local government share among municipalities and conditional grants.

The Committee noted the changes to the schedules of the Bill, i.e. schedule 6 Part B which included a new Smart Meters Grant to fund the installation of bi-directional smart metering systems in municipalities.

## **5. ALLOCATIONS**

### **Transfers to provinces**

The Committee found that out of the total allocation of R729.5 billion to provinces, R600.5 billion was equitable share allocation and R129 billion was conditional grants allocation.

### **Provincial allocation**

Limpopo Province received a total of R81.404 billion of which equitable share amounts to R69.625 billion and R11.779 billion for conditional grants.

The Committee was informed that changes to provincial transfers include a combination of reductions and additional allocations to the equitable share. The latter was reportedly responding to wage pressures in education and health.

### **Local government allocations**

Limpopo local government equitable share amounted to R13.552 billion and conditional grants amounted to R6.755 billion. It was indicated that expenditure on local government infrastructure transfers showed a great improvement in the previous years; ranging from 81.8% in 2020/21 financial year, 84% in 2021/22 financial year and 85.7% in 2022/23 financial year. Expenditure on capacity building transfers to local government was at 83.9% in 2020/21 financial year, 92.1% in 2021/22 financial year and 89.1% in 2022/23 financial year.

It was found that changes to local government allocations included reductions which were reversed and adjusted downwards to make funds available for other government priorities. It was also found that amongst other changes, there was an introduction of Smart Meter Grant which is envisaged to assist in timely and accurate billing, improve the overall management of electricity, water business through improved system integration and ultimately, beneficial for sustainable electricity/water operations amongst others.

## **6. COMMENTS ON THE BILL**

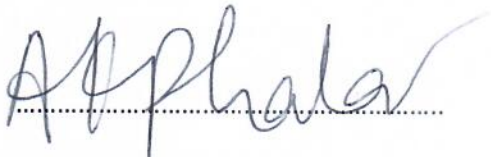
The Committee enquired about the following:-

- Reductions made to provincial allocations amidst international sponsorship which was supposed to augment/cushion the provincial fiscus. According to the National Treasury, the main source of funding was own revenue which was largely from the South African Revenue Services and borrowings. It was reported that the geopolitical climate prompted all spheres of government to reduce expenditures in order to cater for identified government priorities. Further that the biggest reductions were made at a national level.

- Collective labour agreements which compel provinces to effect cuts on expenditures to fund the Wage Bill. National Treasury acknowledged that there should be better ways to fund the Wage Bill and that MECs of Finances in provinces should be thoroughly engaged (to input) in that process.
- Local government allocations which SALGA considers to be insufficient. According to National Treasury, municipalities had not been utilising their allocations appropriately in the past, which made it difficult for Treasury to increase their allocations. In addition, municipalities had been given revenue raising powers through service charges, which in essence should be an effective revenue injection to their allocations.

## **7. CONCLUSION**

The Portfolio Committee on Provincial Treasury recommends to the House to confer a final mandate to the NCOP delegates to vote in favour of the Bill to pass into law.

A handwritten signature in black ink, appearing to read 'K.A. Phala', is written over a horizontal dotted line.

**HON. K.A PHALA**

**CHAIRPERSON: PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY**

**(Consider it signed if submitted electronically)**