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NEGOTIATING MANDATE

To	:	Hon. Chairperson C.J De Beer Chairperson: NCOP Select Committee on Finance
Name of the Bill	:	Division of Revenue Bill
Number of the Bill	:	[B4 - 2010]
Date of Deliberation	:	10 March 2010
Vote of Legislature	:	

The Portfolio Committee on Provincial Treasury has recommended that the Permanent Delegation to the NCOP should negotiate in favour of the Bill with recommendations. Please refer to the attached report for more details.

SIGNATURE: .... DATE: 16-03-2010
CHAIRPERSON OF THE PORTFOLIO
COMMITTEE ON PROVINCIAL TREASURY

Limpopo Legislature

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NEGOTIATING MANDATE OF THE PORTFOLIO COMMITTEE ON PROVINCIAL TREASURY ON THE DIVISION OF REVENUE BILL, 2010 [B4-2010]

1. INTRODUCTION

The Division of Revenue Bill, 2010 [B4-2010] was referred to the Legislature by the NCOP and the Legislature in turn referred it to the Portfolio Committee on Provincial Treasury on 01 March 2010 for consideration and to confer a negotiating mandate to the NCOP Permanent Delegates.

2. PURPOSE OF THE BILL

The Bill is a section 76 and seeks to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2010/11 financial year and the responsibilities of all three spheres pursuant to such division; and to provide for matters connected therewith.

3. CONSIDERATION OF THE BILL

The NCOP Permanent Delegate together with National Treasury briefed the Portfolio Committee on Provincial Treasury on the principle and provisions of the Bill during a Committee meeting held on 10 March 2010. It must, however, be noted by this House that the Division of Revenue Bill is introduced on an annual basis.

3.1. Findings

The core of the Division of Revenue is contained in the eight Schedules in the Bill. The Bill consists of 39 clauses as compared to 53 in the previous financial year, 2009. The following technical changes were made in the 2010 Division of Revenue Bill:

- Elimination of the provisions pertaining to specific conditional grant allocation i.e. requirements to specific allocations are more appropriately dealt with in relevant grant frameworks, including those for public entities.
- Elimination of provisions that dealt with specific division of revenue matters i.e. Gautrain Rapid Rail Link Loan and the implementation of re-demarcations of provincial and municipal boundaries were no longer necessary to include.

There are several new clauses in the 2010 Division of Revenue which are as follows:

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- Prescribing the process for deducting unspent conditional allocations of previous financial years not repaid by municipalities;
- Inclusion of provision to provide firm funding to be allocated over MTEF for public transport;
- Inclusion of provision prescribing requirements for pledging of Local Government Conditional Grants by municipalities; and
- Aligning the Bill to allow for the management of grants where municipalities are accredited.

The Bill introduced new conditional grants to provinces which are the Expanded Public Works Programme Grant; Technical secondary schools recapitalisation grant; Dinaledi schools grant and Further Education and Training function shift

The total revenue anticipated nationally is R527 001 492 billion for the financial year, starting April 2010. Provinces' share of revenue is R260 973 745 billion and local government R30 167 706 billion. Limpopo Province received R33 237 814 billion during this financial year with R3 666 434 billion allocated for Conditional Grants.

On service delivery, government is shifting to target outcomes in order to increase efficiency and improve performance. Over the next three years, expenditure will be channelled towards improving the quality of education; upgrading health care; promoting public safety; supporting rural development; creating decent jobs; building sustainable human settlements; and encouraging efficient local government.

The key funding items in the provinces are, firstly, the major revisions which include the implementation of occupation-specific dispensations in education and health for educators, doctors and health therapists amounting to R12, 9 billion; general provincial equitable share adjustment to step up service delivery amounting to R3 billion and an amount of R18 billion for carry-through costs of 2009 public service salary agreement. Secondly, education for upgrading school infrastructure; to enable improved grade 12 mathematics and science passes through the Dinaledi schools initiative; and for the expansion of the national school nutrition programme. Thirdly, additional funding to health for hospital revitalisation and accommodation of higher number of patients on Aids treatment. Fourthly, infrastructure and employment creation to accelerate housing rollout and deal with increased costs; for Gautrain rapid rail link project; for social sector to complement EPWP incentive grant for the infrastructure sector; and for libraries over MTEF.

In municipalities, the key funding items are major additions which include R6, 7 billion to enable municipalities to extend basic services to the poor and protect them against anticipated price increases for bulk electricity and R2, 5 billion to municipal infrastructure grant to accelerate the rollout of basic municipal infrastructure. Secondly, rural development for the extension of on-site water and sanitation services in rural areas and regional bulk infrastructure.

The Committee found that the Bill is Constitutional and the changes made thereof were informed by new developments in the country.

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3. CONCERNS

The Committee was concerned with the following:

- Municipalities commit Municipal Infrastructure Grant (MIG) only to water and sanitation and neglect other functions like roads, electricity e. t. c.
- The equitable share from national to provinces does not seem to be addressing the backlogs in terms of infrastructure and rural development.
- Facilities in Limpopo are under pressure due to more foreigners from Zimbabwe and other countries who are not part of the statistics in the province.
- Provinces are taken for a ride by contract management or rather contractors especially in the construction of roads where government pays more than it should.
- Water and sanitation is under pressure in the province and the country at large.

4. RECOMMENDATIONS

The Committee recommends that:

- Government should consider more funding for infrastructure and rural development taking into account the backlogs and the rural nature of the province.
- Treasury should conduct a detailed analysis on the capital spending trends on infrastructure development.
- Water and Sanitation grant with specific conditions should be established. Government should ensure that municipalities are capacitated on the administration of conditional grants in order to meet the millennium development goal.
- The formula for the equitable share should be reviewed to accommodate the challenges facing the Limpopo province in particular e.g. facilities in Limpopo are under pressure due to more foreigners from Zimbabwe and other countries who are not part of the statistics in the province.
- Given the unique situation in the province as outlined above, Census should be conducted every 5 years instead of 10 years in order to give accurate statistics timeously.

5. NEGOTIATING MANDATE

The Portfolio Committee having considered the Bill hereby confer a negotiating mandate to the National Council of Provinces Permanent Delegate to negotiate in favour of the Bill with recommendations.

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M.R. SEMENYA, MPL
CHAIRPERSON: PORTFOLIO COMMITTEE
ON PROVINCIAL TREASURY