

REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM ON THE DIVISION OF REVENUE BILL
[B5-2015]

1. INTRODUCTION

The Speaker referred the **Division of Revenue Bill [B5-2015]** (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 Rule 201 of the Rules and Orders of the Mpumalanga Provincial Legislature, 2013 edition.

In terms of Section 118(1) of the Constitution, the Legislature has a mandate to facilitate public involvement in the Legislative and other processes of the Legislature and its Committees. Therefore, the Committee was required to conduct public hearings to solicit inputs or views of the public on the above-mentioned Bill and to report back to the House.

2. OBJECTIVES OF THE BILL

The objectives of this Bill are to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for the 2015/16 financial year, the determination of each province's equitable share and allocation to provinces, local government and municipalities from national government's equitable share and the responsibilities of all three spheres pursuant to such division and allocations; and to provide for matters connected therewith.

Section 214(1) of the Constitution of the Republic of South Africa, 1996, requires an Act of Parliament to provide for:

- a) The equitable division of revenue raised nationally among the national, provincial and local spheres of government;

- b) The determination of each province's equitable share of the provincial share of that revenue; and
- c) Any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made.

3. METHOD OF WORK

The Committee interacted on the Bill as follows:

- a) The National Council of Province (NCOP) Permanent Delegate, Hon F Essack, and the Intergovernmental Relations Branch from National Treasury briefed the Committee on the Bill on **17 March 2015**.

Provincial Treasury, the South African Local Government Association (SALGA) in Mpumalanga, the House of Traditional Leaders in Mpumalanga and the Office of the Premier also attended the briefing and actively participated in the proceedings.

- b) The Committee determined that public input should be solicited on the Bill and public hearings were conducted on **20 March 2015** in all three districts in the province.
- c) The Committee met on **31 March 2015** to consider the draft Committee Report on the Bill; and to finalise the Negotiating Mandate on the Bill that was scheduled to be considered at the NCOP on 21 April 2015.
- d) The Committee met on 24 April 2015 to deliberate on the Final Mandate that was scheduled to be considered by the Select Committee on Appropriations on 28 April 2015.

4. BRIEFING ON THE BILL

4.1. Presentation by the NCOP Permanent Delegate, Hon F Essack

The NCOP Permanent Delegate made, in summary, the following remarks:

- The estimated revenue of National Government declined by R 11 billion in the five months between October 2014 and February 2015, yet expenditure has increased by R 7 billion with the budget deficit growing to an amount of R 162 billion.
- Over the MTEF period Mpumalanga's equitable share will be R 31 billion in 2015/16, R 32.9 billion in 2016/17 and R 35.1 billion in 2017/18.
- Infrastructure grant reforms to improve planning were introduced in 2013 after a period of provincial capacity building through the Infrastructure Delivery Improvement Programme. Under the requirements introduced in the Division of Revenue Bill 2014 provincial education departments had to embark on a two year planning process to be eligible to receive incentive allocations in the 2015/16 financial year. The departments had to meet certain prerequisites in 2013/14 and have their infrastructure plans approved in 2014/15. A moderation process was undertaken between the national departments and provincial departments of basic education to agree on the final scores. Provinces needed to obtain a minimum score of 60% to qualify for the incentive. The province only managed to score 48% and did not qualify for the incentive component of the grant; but will, however, receive R 857 million.
- The province received an additional allocation of R 56 million to be used for establishing dual purpose service points in collaboration with the provincial Department of Education.
- Similar to the reforms to the education infrastructure grant discussed above, a two year planning process is now required for provinces to access the Health Facility Revitalisation grant. The National Department of Health and the National Treasury conducted an assessment of the infrastructure plans, followed by a moderation process between the national departments, Provincial Treasuries and provincial departments of Health to agree on the final scores. Provinces had to obtain a minimum score of 60% to qualify for the incentive. Although the province will be getting R 288 million the province could not get the incentive component of the grant after receiving a score of 57%.

- Funds earmarked within this grant for the reconstruction and rehabilitation of infrastructure damaged during natural disasters in the province is R 1.8 million for 2015/16.
- In addition to the Human Settlements Department grant the following funds are added to informal settlement upgrading projects in each of the following mining towns in the province:
 - Emalahleni Local Municipality R 51.4 million
 - Steve Tshwete Local Municipality R 36.3 million
 - Thaba Chweu Local Municipality R 26.8 million
- In addition to the provincial roads maintenance grant; R 1.1 billion will be spent for the upgrade of the Moloto Road to improve the safety and mobility of the road.
- National Treasury aims at promoting efficiency by ensuring that provinces and municipalities consider whether existing infrastructure can be used/upgraded before planning to build new infrastructure.
- Furthermore, that the National Department of Cooperative Governance and Traditional Affairs (COGTA), together with the National Department of Monitoring and Evaluation, assists in developing systems and mechanisms aimed at improving local government performance with specific focus on identified areas.

4.2. Presentation by National Treasury

The delegation from National Treasury, namely, Mr Chris Adams – Director: Provincial Budget Analysis, Mr Jordan Maja – Director: Local Government Budget Analysis and Ms Antonia Manamela – Deputy-Director: Local Government Budget Framework briefed the Committee on the Bill.

In the presentation made to the Committee the following were highlighted for the 2015/16 financial year:

i. Context of the 2015 budget

The 2015/16 main budget spending is R 1.222 billion and the revenue is R 1.049 billion; with a deficit of R 173 billion. South Africa's debt is growing too fast and the interest payment is the fastest growing element of spending; and currently takes up 12% of the revenue.

The budget proposes to share the burden of fiscal consolidation, namely as follows:

- Continued constrained in expenditure growth.
- More emphasis is placed on cost-containment and efficiency gains to protect key government programmes.
- Moderate tax increases.
- Reasonable growth in public servant's salaries.

The budget closes the gap between revenue and non-interest spending in the 2016/17 financial year.

ii. Correction of Disaster Recovery Figures

In the disaster recovery figures, incorrect numbers were submitted to the National Disaster Management Centre; and as a result it reflects in the Bill disaster recovery funds allocated to the wrong municipality.

In order to correct the incorrect figures, the Standing Committee on Appropriations recommended (as per the request of the National Minister of Finance) that instead of reflecting an allocation of R 10 million in the 2015/16 financial year for Umjindi Local Municipality, the allocations in the period under review should reflect:

- R 4.6 million for Umjindi Local Municipality
- R 2.6 million for Bushbuckridge Local Municipality
- The remaining R 2.8 million should be reflected as unallocated.

iii. Changes to conditional grants to provinces in 2015/16

The following changes to conditional grants are effected in the 2015/16 financial year:

- The baseline reduction of R 1.5 billion on direct grants and R 257 million on indirect grants.
- FET Colleges Conditional grants are phased out from the provinces and R 2.8 billion transferred to national government.
- R 149 million are reprioritised from different provinces from the Provincial Road Maintenance grant to SANRAL's non-toll portfolio for the Moloto Road.
- Disaster funding is ring-fenced in agriculture, health, education, human settlements and roads grants.
- The new Maths Science and Technology grant resulted from the merged Dinaledi Schools and Technical Secondary School grants.
- Provinces will begin to receive performance-based allocations for health and education infrastructure, incentivising improved performance.

iv. Transfers to Mpumalanga

The total transfers to Mpumalanga for 2015/16 amounts to R 37.881 billion comprising of R 31.030 billion equitable share and conditional grants amounting to R 6.851 billion.

In terms of the Provincial Equitable Share Formula for 2015 MTEF (updated with data from 2014 mid-year estimates; the 2014 School Realities Survey; the number of people without medical insurance from the 2012 General Household Survey; and the output data from the health sector) Mpumalanga's equitable share is distributed as follows:

- Education - 8.5% proportion of the component weight of 48% for the Provincial Equitable Share formula
- Health - 7.3% proportion of the component weight of 27% for the Provincial Equitable Share formula (Mpumalanga received an increased share)
- Basic share - 7.8% proportion of the component weight of 16% for the Provincial Equitable Share formula (Mpumalanga received an increased share)
- Poverty - 9.2% proportion of the component weight of 3% for the Provincial Equitable Share formula (Mpumalanga received an increased share)

- Economic activity - 7.1% proportion of the component weight of 1% for the Provincial Equitable Share formula (Mpumalanga received an increased share)
- Institutional - 11.1% proportion of the component weight of 5% for the Provincial Equitable Share formula.

Mpumalanga's weighted average amounts to 8.2% which is 4th lowest out of the allocation to the nine provinces. However, on average Mpumalanga's share increased by 0.01% for 2015.

v. Incentive components of Infrastructure grant

In terms of the incentive component that was introduced with a pass rate of 60% to qualify for the grants Mpumalanga managed to obtain 48% for the Education Infrastructure grant and 57% for the Health facility revitalisation grant.

vi. Moloto Development Corridor

In order to fast track the Moloto Development Corridor as requested in Mpumalanga's Negotiating Mandate on the Division of Revenue Bill 2014; it was reported that the main objective still remains to establish the Moloto Development Corridor; but that the immediate relief will be to focus on the Moloto Road.

Moloto Road:

The Moloto Road is in the process of being transferred to SANRAL's non-toll portfolio. The Premier of Limpopo has already signed over for the road and similar signatures are awaited from the Premiers from Gauteng and Mpumalanga.

In order to ensure immediate relief to the communities utilising the Moloto road infrastructure an amount of R 1.1. billion has been reprioritised for the Road over the 2015 MTEF.

Moloto Railway:

Construction of the railway will take several years. The railway is registered as a PPP and is following the process as regulated in the Treasury Regulations.

PROVINCIAL ALLOCATIONS FOR 2015 MTEF

R million	2014/16	2015/16	2016/17	2017/18	MTEF Total
Direct conditional grants					
Comprehensive agricultural support programme	1 861	1 651	1 702	1 809	5 162
Ilima/Letsema projects	461	471	491	522	1 484
Community library services	1 016	1 311	1 367	1 453	4 131
Education infrastructure	7 327	9 518	9 774	10 331	29 622
HIV and AIDS (life skills education)	212	221	231	245	697
Maths, science and technology	319	347	362	385	1 095
National school nutrition programme	5 462	5 704	6 006	6 306	18 016
Provincial disaster	197	103	112	123	338
Comprehensive HIV and AIDS	12 102	13 737	15 467	17 440	46 644
Health facility revitalisation	5 502	5 276	5 473	5 817	16 565
Health professions training and development	2 322	2 375	2 477	2 632	7 483
National tertiary services	10 168	10 398	10 847	11 526	32 771
National health insurance	70	72	75	80	228
Human settlements development	17 084	18 203	19 884	21 060	59 147
EPWP integrated grant for provinces	349	351	402	424	1 176
Social sector EPWP Incentive for provinces	258	241	360	386	986
Mass participation and sport development	526	537	561	596	1 694
Provincial roads maintenance	9 361	9 851	10 138	10 808	30 797
Public transport operations	4 833	4 939	5 150	5 473	15 563
Other direct grants	310	181	117	74	372
TOTAL DIRECT CONDITIONAL GRANTS	79 739	85 485	90 994	97 490	273 970
indirect transfers	4 116	3 458	3 596	3 967	11 021
School infrastructure backlogs	2 541	2 047	2 375	2 620	7 042
National health	1 575	1 411	1 221	1 347	3 979

THE MTEF CONDITIONAL GRANT ALLOCATIONS TO MPUMALANGA FOR 2015

Mpumalanga Conditional Grant Allocations				
R Thousands	2015/16	2016/17	2017/18	2015 MTEF
Total transfers to provinces	37,880,564	40,004,677	42,640,874	120,526,115
Provincial equitable share	31,029,509	32,970,925	35,113,208	99,113,642
Conditional grants	6,851,055	7,033,752	7,527,666	21,412,473
Agriculture, Forestry and Fisheries	221,902	239,351	248,042	709,295
Comprehensive Agricultural Support Programme Grant	169,684	184,014	189,221	542,919
Ilima/Letsema Projects Grant	46,270	49,136	52,213	147,619
Land Care Programme Grant: Poverty Relief and Infrastructure Development	5,948	6,201	6,608	18,757
Arts and Culture	150,325	156,400	166,420	473,145
Community Library Services Grant	150,325	156,400	166,420	473,145

Basic Education	1,462,261	1,437,527	1,508,024	4,407,812
Education Infrastructure Grant	857,247	802,247	842,359	2,501,853
HIV and AIDS (Life Skills Education) Grant	19,631	18,798	20,102	58,531
Maths, Science and Technology Grant	39,136	41,639	41,978	122,753
National School Nutrition Programme Grant	545,910	574,843	603,585	1,724,338
Occupational Specific Dispensation for Education Sector Therapists Grant	337	–	–	337
Health	1,419,133	1,548,562	1,739,699	4,707,394
Comprehensive HIV and AIDS Grant	927,214	1,043,934	1,177,153	3,148,301
Health Facility Revitalisation Grant	287,942	291,839	336,431	916,212
Health Professions Training and Development Grant	97,460	101,646	108,013	307,119
National Tertiary Services Grant	99,311	103,597	110,086	312,994
National Health Insurance Grant	7,206	7,546	8,016	22,768
Human Settlements	1,265,162	1,419,973	1,488,961	4,174,096
Human Settlements Development Grant (HSDG)	1,265,162	1,419,973	1,488,961	4,174,096
Public Works	66,543	–	–	66,543
Expanded Public Works Programme Integrated Grant for Provinces	36,810	–	–	36,810
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	29,733	–	–	29,733
Social Development	–	–	–	–
Substance Abuse Treatment Grant	–	–	–	–
Sport and Recreation South Africa	44,039	51,706	54,808	150,553
Mass Participation and Sport Development Grant	44,039	51,706	54,808	150,553
Transport	2,221,690	2,180,233	2,321,712	6,723,635
Provincial Roads Maintenance Grant	1,719,418	1,656,521	1,765,199	5,141,138
Public Transport Operations Grant	502,272	523,712	556,513	1,582,497
Conditional grant allocations phased into the equitable share:	123,636	–	–	–
Devolution of Property Rates Funds Grant	123,636	–	–	123,6360
Allocations earmarked for flood repair:	184,746	88,278	60,326	333,350
<i>The allocations above include the following earmarked for repair of flood damage:</i>				
Comprehensive Agricultural Support Programme Grant	10,960	20,326	10,326	41,612
Education Infrastructure Grant	9,500	–	–	9,500
Health Facility Revitalisation Grant	1,841	–	–	1,841
Human Settlements Development Grant	34,098	17,952	–	52,050
Provincial Roads Maintenance Grant	128,347	50,000	50,000	228,3470
HSDG allocations earmarked for mining towns:	114,604	162,797	170,937	448,338
<i>The HSDG allocations include the following earmarked additions for mining towns:</i>				
Emalahleni	51,447	96,293	101,108	248,848
Steve Tshwete	36,321	38,246	40,158	114,725
Thaba Chweu	26,836	28,258	29,671	84,765

vii. Mpumalanga 2014/15 Conditional Grant expenditure as at 31 January 2015

The Committee noted that there is reason for concern on whether some of the conditional grants will be fully spent at the end of the financial year, taking into consideration the expenditure as at 31 January 2015, especially on the following grants:

- Comprehensive Agricultural Support Programme grant 23.71%
- Technical Secondary School Recapitalisation grant 7.62%
- Health Facility Revitalisation grant 38.97%
- National Health Insurance grant 26.33%
- Human Settlements Development grant 19.91%

A. LOCAL GOVERNMENT BUDGET FRAMEWORK FOR THE MTEF

i. Local Government equitable share

A new Local Government equitable share formula was introduced in 2013/14 following extensive consultation. The formula (being phased in over 5 years) provides a subsidy of R 314.00 per month for every household with an income of less than two old age pensions so that their municipality can provide them with free basic services.

The new formula will be fully phased in by 2017/18. During 2015 the formula will be updated to reflect the new municipal boundaries due to come into effect in 2016.

ii. Changes to capacity building and other current conditional grants in 2015 MTEF

The new Municipal Demarcation Transition grant has been introduced for 21 municipalities. This grant will only subsidise the administrative costs directly linked to mergers and it will only be for three years.

The formula is updated annually with cost to account for price increases; and estimates of household growths.

THE LOCAL GOVERNMENT CONDITIONAL GRANT ALLOCATIONS TO MPUMALANGA

Conditional Grants Allocations, 2015 MTEF			
	2015/16	2016/17	2017/18
R million	Allocation	Allocation	Allocation
Infrastructure transfers to local government	3 121 752	3 264 712	3 554 467
Direct transfers	2 324 559	2 304 653	2 464 500
Integrated national electrification programme	133 358	117 000	132 980
Municipal disaster recovery	30 000	20 000	–
Municipal Infrastructure	1 745 385	1 816 819	1 923 898
Municipal water infrastructure	263 740	178 012	218 578
Neighbourhood development partnership	25 000	40 000	45 000
Public transport network	116 540	122 088	132 498
Rural households infrastructure	4 500	4 500	5 000
Rural roads asset management systems	6 036	6 234	6 546
Indirect transfers	797 193	960 059	1 089 967
Integrated national electrification programme	328 045	327 697	344 082
Municipal water infrastructure	182 963	294 515	466 138
Neighbourhood development partnership	2 185	2 400	1 200
Regional bulk infrastructure	284 000	335 447	278 547
Capacity building and other current transfers	228 557	183 681	193 743
Direct transfers	228 557	183 681	193 743
Energy efficiency demand side management	6 000	10 000	10 000
Expanded public works programme	49 422	–	–
Infrastructure skills development	30 000	31 000	30 000
Local government financial management	33 575	34 575	37 225
Municipal systems improvement programme	19 560	20 106	21 693
Water services operating subsidy	90 000	88 000	94 825
Total Mpumalanga municipalities	3 350 309	3 448 393	3 748 210

Source: Division of Revenue Bill 2015

THE LOCAL GOVERNMENT EQUITABLE SHARE ALLOCATIONS TO MPUMALANGA

Local Government Equitable Share Allocations, 2015 MTEF			
Number Municipality		Forward Estimates	
		2016/17	2017/18
MPUMALANGA	R'000	R'000	R'000
B MP301 Albert Luthuli	219 137	226 756	232 189
B MP302 Msukaligwa	114 641	119 148	127 385
B MP303 Mkhondo	153 190	162 922	170 990
B MP304 Pixley Ka Seme	91 201	89 095	87 184

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B MP305 Lekwa	83 027	84 444	88 022
B MP306 Dipaleseng	52 509	53 758	55 387
B MP307 Govan Mbeki	194 986	197 366	208 046
C DC30 Gert Sibande District Municipality	270 971	275 627	279 802
Total: Gert Sibande Municipalities	1 179 662	1 209 116	1 249 005
B MP311 Victor Khanye	67 348	72 518	77 844
B MP312 Emalahleni	229 575	256 739	288 276
B MP313 Steve Tshwete	119 935	136 945	156 145
B MP314 Emakhazeni	48 486	51 585	54 519
B MP315 Thembisile Hani	288 644	302 262	313 991
B MP316 Dr JS Moroka	314 082	320 052	321 994
C DC31 Nkanga District Municipality	326 223	333 595	340 394
Total: Nkanga District Municipalities	1 394 293	1 473 696	1 553 163
B MP321 Thaba Chweu	104 771	114 508	124 626
B MP322 Mbombela	462 073	503 877	544 750
B MP323 Umjindi	67 369	71 926	76 257
B MP324 Nkomazi	423 037	448 779	467 584
B MP325 Bushbuckridge	635 931	661 704	678 874
C DC32 Ehlanzeni District Municipality	217 441	222 950	226 639
Total: Ehlanzeni Municipalities	1 910 622	2 023 744	2 118 730
Total: Mpumalanga Municipalities	4 484 577	4 706 556	4 920 898

Source: Division of Revenue Bill 2015 and the presentation made by National Treasury on 17 March 2015.

The Committee noted the following:

- i. The Moloto Development Corridor is to be developed in phases; and that the project forms part of the President's Infrastructure Coordinating Council. The National Government accepted the feasibility studies conducted by Mpumalanga on the project. It was agreed that, to provide immediate relief, the first phase will be to develop the road where-after the rail and other components will follow. Since most of the concerns raised by the province were addressed by National Government; the Premier is in the process to sign the road over to SANRAL.
- ii. Although the data provided by Statistics SA is accurate; the following factors must be taken into consideration:
 - a. The fact that Mpumalanga borders with Mozambique and Swaziland impacts on the figures as provided by Statistics SA.
 - b. Citizens from Mozambique and Swaziland daily utilise health, education and social services in the province.

- iii. The Department of Agriculture is no longer under administration and it is foreseen that under the new leadership in the department the performance in conditional grants allocated to this department will improve in the next reporting cycle.
- iv. The province is committed to the two year planning cycle and incentive based system; however, it is necessary to note that Mpumalanga is disaster prone and that it may impact on the planning in the province.
- v. The province embarked on a process to address the root cause of poor collection of revenue in local municipalities. Specific local municipalities were identified for data cleansing and the following local municipalities are currently assisted: Thembisile Hani, Dr JS Moroka, Thaba Chweu, Dipaliseng and Msukaligwa. It was noted that data cleansing remains an ongoing process. Household profiling was also done for every household in each ward in the province. The household profiling exercise revealed that many households qualify to be part of the indigent register.

5. PUBLIC HEARINGS

The Committee resolved at its meeting held on 17 March 2015 that, in order 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; to conduct public hearings in all three districts in the province on 20 March 2015.

5.1. Public Involvement

Invitations to the public hearing were extended to a broad segment of stakeholders. Invitations were extended to, among others, business sector, political parties, SALGA, SANCO, COSATU, NEHAWU, SAMA, SADNU, DENOSA, NAPTOSA, PSA, FEDUSA, HOSPERSA, NATU, NAFCOOC, Provincial Auditor-General Office and the Mpumalanga House of Traditional Leaders.

The Committee made a call for attendance at the public hearings and to submit written submissions, using the following newspapers; namely the Mpumalanga News (19 March 2015) and the Lowvelder (20 March 2015).

No written comments were received emanating from the advertisements in newspapers.

The Public Participation and Petitions Section of the Legislature mobilised communities in all three districts of the province to attend the public hearings.

Public hearings were conducted in the following precincts:

- Schoemansdal, Nkomazi Local Municipality [Ehlanzeni District]
- Waterval Boven, Emakhazeni Local Municipality [Nkangala District]
- Badplaas, Albert Luthuli Local Municipality [Gert Sibande District]

The Honourable Members conducting the public hearings explained that the Legislature seeks input and opinion on the legislation at hand from specific stakeholders and communities in the province. It was emphasised that the inputs by stakeholders and communities are very important to the Legislature and that it will be conveyed to the NCOP and National Government through the relevant channels.

The public was provided with a thorough overview on the Bill; and the delegation from National and Provincial Treasury assisted Members at the public hearing.

Comments by the Public

The input made by individuals representing the community and stakeholders took place in a very constructive and informative manner. Although the public agreed in general on the proposed objectives of the Bill; some issues were raised, amongst them the following:

a. Waterval Boven Community, Emakhazeni Local Municipality:

- i. The monitoring and evaluation of budget expenditure and project implementation must remain a priority.
- ii. The age limitation of grant benefits should be considered given the huge poverty levels in the province.
- iii. Concern was raised on the interest on borrowed money to complement the budget; that amounts to interest of R 12.00 out of every R 100.00 for 2015.
- iv. The proper maintenance of the country's power facilities must be prioritised.
- v. A concern was raised on the lack of development of residential areas in previously disadvantaged communities. Promises are made that development will take place

and that there is budget available to develop land. However, it seems that the land is given to private developers and the budget not utilised for this purpose. Specific reference was made to the Gugulethu residential area in Waterval Boven.

The Community raised various other issues; however, it was mainly related to the Mpumalanga Appropriation Bill 2015 [MAB 2015] that was also considered during this public hearing. The matters raised at this public hearing will be addressed when the MAB 2015 is considered. The Committee committed itself to refer other important matters raised at the public hearing to the Select Committee on Public Participation and Petitions, provincial departments, local municipalities and other relevant structures where necessary.

The public agreed unanimously that the Bill should be passed as an Act.

b. Schoemansdal Community, Nkomazi Local Municipality

- i. The community welcomed the budget allocation for Health but expressed a need for additional clinics as the population of many of the communities in municipal areas is gradually growing.
- ii. In the budget allocation for Education, plans should be included to build a Secondary School for Persons with Disabilities in the province; since Mpumalanga does not have such a facility. Currently persons with disabilities have to further their studies in Gauteng Province.
- iii. The allocation for the refurbishment of roads, including the Moloto road, was welcomed. However, the state of the roads in the province remains a challenge.
- iv. The budget allocation to municipalities does not provide for the provision of land for farming; and this should be considered in future budget allocations.
- v. The monitoring and evaluation of budget expenditure and project implementation should remain a priority.

The public agreed unanimously that the Bill should be passed as an Act.

The Community raised various other issues; however, it was mainly related to the Mpumalanga Appropriation Bill 2015 [MAB 2015] that was also considered during this public hearing. The matters raised at this public hearing will be addressed when the MAB 2015 is considered. The

Committee committed itself to refer other important matters raised at the public hearing to the Select Committee on Public Participation and Petitions, provincial departments, local municipalities and other relevant structures where necessary.

c. Badplaas Community, Albert Luthuli Local Municipality

- i. The public expressed concern that there is no proper monitoring on the budget allocation to municipalities in the province.
- ii. There is lack of transparency; communities are not informed of the plans to develop municipal areas and the budget allocated for each project.
- iii. The large portion of the departments' budget allocations seems to be set aside for compensation of employees rather than service delivery and issues of job creation.
- iv. A need was expressed for more health facilities like mobile clinics; hence the communities believe that the budget for health should be increased.

The Community raised various other issues; however, it was mainly related to the Mpumalanga Appropriation Bill 2015 [MAB 2015] that was also considered during this public hearing. The matters raised at this public hearing will be addressed when the MAB 2015 is considered. The Committee committed itself to refer other important matters raised at the public hearing to the Select Committee on Public Participation and Petitions, provincial departments, local municipalities and other relevant structures where necessary.

The public agreed unanimously that the Bill should be passed as an Act.

6. CONSIDERATION OF THE FINAL MANDATE

The Committee met on 24 April 2014 to consider feedback from the NCOP regarding the outcome of the Negotiating Mandate as submitted to the Select Committee on Appropriations at the NCOP. It was noted that the Permanent Delegate to the NCOP for Mpumalanga, Hon F Essack, presented the recommendation to the Committee. Since there was no feedback on the recommendation by National Treasury at that stage; and since the Bill was not amended, the Committee resolved to confer the delegation representing the province of Mpumalanga in the NCOP with a mandate to vote in favour of the Bill.

7. FINDINGS BY THE COMMITTEE

The Committee made the following findings:

- 7.1. The Moloto Development Corridor is to be developed in phases; and that the project forms part of the President's Infrastructure Coordinating Council. The National Government accepted the feasibility studies conducted by Mpumalanga on the project. It was agreed that, to provide immediate relief, the first phase will be to develop the road where-after the rail and other components will follow. Since most of the concerns raised by the province were addressed by National Government; the Premier is in the process to sign the road over to SANRAL.
- 7.2. Although the data provided by Statistics SA is accurate; the following factors must be taken into consideration:
 - 7.2.1. The fact that Mpumalanga borders with Mozambique and Swaziland impacts on the figures as provided by Statistics SA.
 - 7.2.2. Citizens from Mozambique and Swaziland daily utilise health, education and social services in the province.
- 7.3. The province is committed to the two year planning cycle and incentive based system; however, it is necessary to note that Mpumalanga is disaster prone and that it may impact on the planning in the province.
- 7.4. The province embarked on a process to address the root cause of poor collection of revenue in local municipalities. Some municipalities are being assisted with data cleansing; and household profiling was done for every household in each ward in the province. The household profiling exercise revealed that many households qualify to be part of the indigent register.

8. RECOMMENDATIONS BY THE COMMITTEE

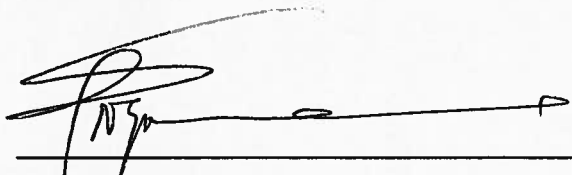
The delegation representing the Province of Mpumalanga in the NCOP should focus on the following:

- 8.1. Future allocations of the equitable share to Mpumalanga province need to consider the daily migration of the bordering countries' citizens that normally utilise the province's health, education and social development services; in addition to the official data provided by Stats SA.
- 8.2. Provincial Treasury must provide proper assistance to departments when developing business plans for conditional grants to ensure that the province gets its fair share out of the incentive based system. Furthermore, that departments must spend their conditional grants to avoid forfeiting it to other provinces.

The delegation representing the Province of Mpumalanga in the National Council of Provinces (NCOP) is conferred with authority and mandated to vote in favour of the Division of Revenue Bill [B5-2015] without any proposed amendments, taking into account the input and observations noted in this report.

9. CONCLUSION

The Chairperson extends the Committee's gratitude to all invited stakeholders who took the time to meet with the Committee to interact on matters pertaining to the Bill. A word of appreciation is extended to the Committee Members, the Director-General in the Office of the Premier, the Chairperson of the House of Traditional Leaders in Mpumalanga, the South African Local Government Association in Mpumalanga, National and Provincial Treasury who actively participated in the briefing and public hearings to ensure that the objective of the hearings was achieved.



HON PS NGOMANA, MPL
CHAIRPERSON

12.05.2015

DATE

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