



SALGA

South African Local Government Association

DIVISION OF REVENUE BILL 2008

SALGA Briefing Notes

Introduction

Section 214 (1) of the Constitution 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;

The objects of this Act are to—

- (a) provide for the equitable division of revenue raised nationally among the three spheres of government;
- (b) promote better co-ordination between policy, planning, budget preparation and execution processes between and within the different spheres of government;
- (c) promote predictability and certainty in respect of all allocations to provinces and municipalities in order that such governments may plan their budgets over a multi-year period;
- (d) promote transparency and equity in the resource allocation process; and
- (e) promote accountability by ensuring that all allocations are reflected on the budgets of receiving provinces and municipalities.

The National Treasury circulated the draft Division of Revenue Bill and accordingly invited SALGA to provide written input on the draft bill. Most of the comments submitted by SALGA are incorporated in the current bill.

Local Government Priorities

SALGA welcome and appreciates R6.5 billion increase in equitable share envelope in recognition of increased service delivery costs, increased demand for basic infrastructure for the poor and support for poorer municipalities.

Funding for Poor Municipalities

SALGA support the initiative by national government to find mechanism to fund poorer municipalities. In fact, during 2006 Budget Forum, SALGA requested that different funding mechanism/approaches be considered for municipalities. The spending pressures are not felt equally by all municipalities. Other contributing factors such as socio-economic realities of municipalities need to be taken into account. SALGA further support minimum MIG allocation for municipalities and adjustment of formula to step up funding towards lesser resourced municipalities.

Review of Local Government Fiscal Framework

SALGA have noted that as part of the basket of permanent RSC and JSB levies replacement sources, a percentage of revenue from the fuel levy will from 2009/10 accrue to category A and B municipalities. SALGA's view is that the fuel levy to local government should be without conditions (*there were some argument that at least portion of funding be earmarked for public transport and infrastructure expenditure*).

For the district municipalities the replacement option should be based on their service delivery and developmental responsibilities as will be defined/clarified during the dplg review process of the White Paper on Local Government. The outcomes of the dplg review process will therefore inform the reforms required to the local government fiscal framework, as it relates to district municipalities.

Comments on sections of the Division of Revenue Bill

Section 15 (Municipal Infrastructure Grant)

SALGA support the amendment of the section to include reporting obligation of municipalities to included reporting on non-financial performance. This report will assist to measure the actual impact of the investment.

Section 31 (Duties of Provincial Treasuries)

SALGA support the extension of the section to include detailed housing allocation to municipalities and schools, and the budget of provincial hospitals. The inclusion of the section will foster transparency, promote proper planning and alignment with municipal IDPs in respect of infrastructure plans.

Section 39 (Preparation for next financial year and 2010/11 financial year)

Municipalities receiving the Municipal Infrastructure Grant are required to prepare infrastructure plans and province receiving the integrated Housing and Human Settlement Development allocation must agree to allocation with municipalities identified by the transferring national officer in consultation with National Treasury prior to the commencement of the next financial year. The inclusion of this section will facilitate better planning.