NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 1266 [NW1396E]

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1266. Mr S Z Ntapane (UDM) to ask the Minister of Finance:

1) Whether, with reference to the allocation of conditional grants to municipalities, his department has put any mechanisms in place to differentiate between municipalities (a) that do not have a tax base and (b) those that do have a tax base but do not make an effort to raise revenue; if not, why not; if so, what are the relevant details;

2) whether any measures have been implemented to ensure value for money on unconditional grants allocated to municipalities; if not, why not; if so, what are the relevant details?

NW1396E

REPLY:

1) Yes, the conditional grants system to municipalities makes this differentiation by mainly funding poor households where municipalities cannot collect revenue. The system does not fund households which have sufficient income for municipalities to be able to collect revenue but does not make an effort to collect what is due for services provided to raise the necessary revenue.

   National transfers to local government are not a substitute for a municipality's own revenue. Households with an adequate income, businesses and other institutions in all municipalities are expected to pay rates and the full cost of the services they receive. Municipal infrastructure grants make up the largest share of conditional grants to local government. Infrastructure grants are largely targeted and allocated on the basis of the number of poor households without access to basic municipal services as these households cannot be expected to fund the construction of basic municipal infrastructure through their local tax base (property rates and surcharges).

2) Yes, measures have been put in place for municipalities to be monitored and held accountable in terms of achieving value for money from unconditional transfers. The local government equitable share is the main (and only) unconditional grant to local government.

   The formula used to allocate the local government equitable share was reviewed in 2012 and a new formula is being phased in during 2013/14. This formula provides each municipality with a subsidy of R275 per month for the provision of free basic water, sanitation, electricity and refuse removal for each household whose income is less than the equivalent of two social grants. The formula also provides funding for administration and community services in municipalities that have less ability to raise own revenue to fund these services. In order to ensure that municipalities use these funds appropriately to provide basic services to those residents that cannot afford them, the National Treasury publishes a detailed breakdown of how the formula is calculated and what funds are available within each municipality. A summary of this information is also sent to each municipality in the equitable share allocation letter issued by the Department of Cooperative Governance. This increased transparency enables councillors, communities and other stakeholders to make sure that equitable share funds are budgeted for appropriately.

The budget reporting templates prescribed by the National Treasury for municipalities require reporting on the (planned and actual) delivery of free basic services to households. This enables oversight bodies, including national and provincial legislatures, to hold municipalities to account for the delivery of services.

The monitoring and oversight tools are in place in terms of the equitable share funds and can be used to ensure each of the 278 municipalities that these funds are being utilised appropriately to deliver the maximum possible benefit to the poorest citizens.