

**NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 1495 [NW1704E]
DATE OF PUBLICATION: 17 April 2015**

1495. Mr W M Madisha (Cope) to ask the Minister of Finance:

Whether his department withheld any local government equitable share allocations from any local municipality in the (a) 2012-13, (b) 2013-14 and (c) 2014-15 financial years, as some municipalities had been unable to leverage the full amount of the municipal infrastructure conditional allocation; if not, why not; if so, what decisive measures had his department taken to remedy the deficits of the offending municipalities which had led to them forfeiting their full allocations?

NW1704E

REPLY:

The withholding of the local government equitable share is only done in instances where municipalities do not adhere to section 216 (2) of the Constitution. An amount of R2.2 billion of the 2014/15 equitable share was withheld to 60 municipalities, i.e. not transferred as scheduled in March 2015, because of the persistent non-payment of bulk charges to Eskom and water boards by these municipalities. National Treasury is currently meeting the affected municipalities in order to resolve the matter.

Although the National Treasury has not withheld any local government equitable share allocations to municipalities in 2012/13 and 2013/14, National Treasury has offset conditional grant allocations not spent during a previous financial year against the local government equitable share. In terms of section 30 of the Municipal Finance Management Act, 2003 (Act No.56 of 2003) (MFMA) and sections 21 and 22 of the 2012, 2013 and 2014 Division of Revenue Act (DoRA) respectively; states that "any conditional allocation or portion that is not spent at the end of the financial year reverts to the National Revenue Fund".

National Treasury has offset unspent conditional grants amounting to R3.8 billion against the municipal equitable share over the past three financial years: R734 million in 2012/13, R1.6 billion in 2013/14 and R1.5 billion in 2014/15 respectively (see table below).

ES Offsetting				
<i>Province</i>	<i>2012/13 Financial year</i>	<i>2013/14 Financial Year</i>	<i>2014/15 Financial Year</i>	<i>Total</i>
R'000				
Eastern Cape	116 653	83 736	60 024	260 413
Free State	65 880	121 924	109 195	296 999
Gauteng	16 043	448 113	61 010	525 166
Kwa-Zulu Natal	175 056	236 632	466 002	877 690
Limpopo	77 336	367 103	386 766	831 205
Mpumalanga	16 465	134 452	132 544	283 461
Northern Cape	49 010	58 129	51 915	159 054
North West	201 437	180 243	199 002	580 682
Western Cape	16 039	4 987	6 105	27 131
Total	733 919	1 635 319	1 472 563	3 841 801

Prior to the offsetting, municipalities were provided with an opportunity to submit a written motivation to demonstrate that the funds were spent or committed to identifiable projects. Further, after taking the decision to offset, the municipalities were provided with a second opportunity to further engage with the National Treasury. The purpose of the engagement was to:

- To prove to the satisfaction of the Treasury that the unspent conditional grants are either fully spent or committed;
- Assist those with cash flow challenges whereby a reasonable payment arrangement was entered into; and
- Update and correct any amount that was reflected as unspent against the audited-Annual Financial Statement (AFS).

Conditional grants that are not spent at the end of a financial year, where municipalities are unable to prove that these funds are committed to identifiable projects and are cash backed, indicates that these municipalities were unable to spend the entire conditional grant allocation in that specific financial year for the purpose that these funds were intended as per the conditions of the grant and therefore have to revert back to the National Revenue Fund.

National Treasury has been engaging with all national departments that administer conditional grants to assist municipalities that had their funds offset and continue to struggle to spend and complete the projects. Secondly, National Treasury is working with the Department of Cooperative Governance to strengthen monitoring and support in order to fast track the implementation of projects funded through the Municipal Infrastructure Grant.