

NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 515 [CW569E]
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515. Ms H S Boshoff (Mpumalanga: DA) to ask the Minister of Finance: (Interdepartmental transfer – 26 August 2022)

(a) Which of the 17 local municipalities and three district municipalities in Mpumalanga have passed unfunded budgets for the coming financial year, (b) what are the names of such municipalities and (c) what measures are in place to ensure that this issue is rectified to allow funded budgets to be passed in the coming financial year?

CW569E

REPLY

- (a) Section 18 of the Local Government: Municipal Finance Management Act (MFMA) does not allow any municipality to pass an unfunded budget. Despite the law, 8 of the 17 local municipalities in Mpumalanga adopted unfunded budgets for 2022/23. Six (6) of these municipalities have been adopting unfunded budgets for the past 5 years consecutively.
- (b) Msukaligwa, Mkhondo, Lekwa, Govan Mbeki, Victor Khanye, Emalahleni, Steve Tshwete and Thaba Chweu.
- (c) It is up to every municipal council to pass a budget that complies with the Constitution and the law. Should they not comply with the law, they open their budgets to legal challenges, as well as intervention by the provincial executive. Section 139(4) of the Constitution empowers (and in some instances obligates) the provincial executive to intervene and take any appropriate steps to ensure fulfilment of such obligation. Where a province fails to do so in some specific instances related to sections 139(4) and (5), national executive is required to intervene in the stead of the provincial executive in terms of section 139(7) of the Constitution.

National Treasury supports provinces by providing the analytical and technical tools to Provincial Treasuries to assess all municipal budgets, including for compliance with Section 18 of the MFMA and Municipal Budget and Reporting Regulations (MBRR).

The funding tool developed by NT was enhanced during 2021/22 to accommodate a repayment arrangement facility for municipalities to determine the affordability threshold that will assist them to honour their repayment plans as well as to cater for the repayment of the long-term portion (exceeding one year) of agreements to repay arrear accounts.

In instances where the budget cannot be funded within a year (due to huge outstanding creditors owed by the municipality), the municipality is required to table a budget funding plan with clear targets of when they anticipate being in a funded budget position before their Council. The Council must then adopt such budget funding plan with a Council Resolution to be submitted to the National Treasury. Such plan would need close monitoring from the provincial treasury to ensure that the municipality implements the plan to achieve a funded budget position, including strict credit controls to improve

collection rate and avoid wastage by instilling cost containment measures as well as completing billing value chain and month cash reconciliations.