

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 3364 [NW4194E]**

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**Mr P F Smith (IFP) to ask the Minister of Finance:**

(a) What is the quantum of under spending by municipalities on their budgets in the (i) 2008-09 and (ii) 2009-10 financial years and (b) what steps has he taken with regard to such under spending?

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**REPLY:**

- (a) (i) On aggregate, municipalities reported under spending on their total budgets of R16.6 billion for the 2008/9 financial year.
- (ii) On aggregate, municipalities reported under spending on their total budgets of R16.7 billion for the 2009/10 financial year.
- (b) Under spending by municipalities may be caused by various factors, including over-optimistic / unrealistic original budgets, bad planning, problems with procurement and poor expenditure management. In addition, the reasons for under spending may differ between municipalities. Therefore, National Treasury is implementing a range of initiatives to improve the quality of municipal budgets and the management of expenditures. These include:
- (i) The MFMA emphasises that a municipal budget must be funded. The municipal budget formats issued in terms of the Municipal Budget and Reporting Regulations provide for a funding compliance assessment in an effort to get municipalities to only table funded budgets, as opposed to unrealistic budgets.
- (ii) National Treasury and provincial treasuries' benchmark municipalities' tabled budgets to establish whether they are funded – and where they are unfunded municipalities are advised accordingly.

- (iii) National Treasury has allocated funds to build up the capacity of the MFMA Implementation Units within provincial treasuries. The purpose is to ensure that the provincial treasuries are better able to carry out their constitutional responsibility to monitor and provide support to the municipalities that have been delegated to them. The main aim of this support is to improve the capacity of municipalities to compile credible budgets and build up sound financial management systems – which will facilitate better budget implementation.
  
- (iv) National Treasury is directly responsible for exercising oversight of the 17 largest municipalities in the country – the so-called non-delegated municipalities. National Treasury monitors the budgets and section 71 reports of these municipalities very closely, and interacts with them regularly in order to facilitate sound budgeting and proper budget implementation. When necessary National Treasury provides technical advice on budget implementation and other financial management matters.
  
- (v) Plans are being developed to roll-out the IDIP programme to local government to assist with planning of capital projects which will improve the implementation of capital budgets.