

**NATIONAL ASSEMBLY**  
**QUESTION FOR WRITTEN REPLY**  
**QUESTION NUMBER: 871 [NW950E]**  
**DATE OF PUBLICATION: 23 MARCH 2018**

**871. Mr K J Mileham (DA) to ask the Minister of Finance:**

- (1) (a) Which municipalities (i) adopted unfunded budgets and (ii) are unable to meet their financial commitments for the current financial year and (b) which of the specified municipalities have adopted financial recovery plans drafted by the Municipal Financial Recovery Service;
- (2) whether he will encourage the relevant provincial executive to intervene in the specified municipalities in terms of section 139(5) of the Constitution of the Republic of South Africa, 1996; if not, why not; if so, what are the relevant details?

NW950E

**REPLY:**

- 1(a) The list of municipalities with unfunded budgets are summarised in Annexure A below.
- 1(a) (ii) The municipal financial information presented in the MFMA section 71 reports for the 2<sup>nd</sup> quarter ended 31<sup>st</sup> December 2017 was used to establish which municipalities are potentially unable to honour their financial commitments. When matching the “cash and cash equivalents” for this period against the “total creditors” for the same period, it showed that municipalities with unfunded budgets are not able to pay their total creditors within the prescribed thirty-day period.
- 1(b) The development and adoption of financial recovery plans is the primary responsibility of a municipality facing financial challenges as legislated in Chapter 13 of the MFMA; and this provides for the municipality to request support for the development of a financial recovery plan from Provinces and National Treasury. Where such requests are received from municipalities the financial recovery plan is developed by National Treasury in consultation with the relevant Provincial Treasury and the municipality. The list of municipalities that currently have approved financial recovery plans as well as those that have requested support is presented in Annexure A. There are 14 municipalities among the 112 that adopted unfunded budgets with approved financial recovery plans; this means that, in spite of the financial recovery plan having been adopted, the municipal budget is still unfunded. Financial recovery plans are mostly prevalent in the North West, Limpopo and Northern Cape.
2. Yes, the Minister of Finance will consult with the Minister of Cooperative Governance and Traditional Affairs for support of appropriate interventions at municipalities that continue to

adopt unfunded budgets. The Minister of Finance will consider strengthening measures to ensure the adoption of funded budgets by municipalities and to provide specific intervention measures to enforce such measures.

In terms of the role of the provincial executive and the present legal framework for municipal intervention, the intervention process is addressed in terms of section 139 of the Constitution of the Republic of South Africa. This provides for a process, including the provincial executive role when performing its oversight and obligations with respect to municipalities. The Honourable member must note that the existing municipal intervention legal framework for the Province to issue a directive to the municipality in terms of section 139(1)(a), this is followed by a step by step process, including support in terms of section 154 of the Constitution. Moreover, MFMA section 136, 137 and 139 requires the provincial executive to undertake certain discretionary and mandatory actions to address the situation, failing which the National Treasury upon request from a municipality and province will develop a financial recovery plan for a municipality.

The intervention in terms of section 139(5) of the Constitution raised by the Honourable Member, is in fact the prerogative of the Provincial Executive to decide and resolve. The Minister of Finance can request a province to intervene in specific municipalities as part of the process in implementing the MFMA. In terms of section 150 of the MFMA the National Executive may intervene instead of Provincial Executive if the condition of section 139(5) are met and the province has failed to do so.

## Annexure A

Province	Demarcation	Municipality	2017/18 Adopted Budget	Financial Recovery Plans	Creditors Q2 2017/18	Cash & Cash Equivalents Q2 2017/18
<b>EASTERN CAPE</b>	DC12	Amathole	Unfunded	Approved	101 479 440	278 291 193
	DC13	Chris Hani	Unfunded		22 722 715	240 399 203
	EC101	Dr Beyers Naude	Unfunded		55 715 777	3 352 111
	EC104	Makana	Unfunded		150 255 966	65 785
	EC105	Ndlambe	Unfunded		9 861 808	-6 118 661
	EC108	Kouga	Unfunded		82 429 874	66 882 403
	EC123	Great Kei	Unfunded		25 847 657	1 474 448
	EC126	Ngqushwa	Unfunded		8 571 620	8 759 413
	EC129	Raymond Mhlaba	Unfunded		15 131 183	78 882 621
	EC131	Inxuba Yethemba	Unfunded		19 819 705	50 210 138
	EC135	Intsika Yethu	Unfunded		890 382	76 390 921
	EC136	Emalaheni (Ec)	Unfunded		502 264	69 866 279
	EC138	Sakhisizwe	Unfunded		4 170 354	458 213
	EC139	Enoch Mgijima	Unfunded		8 742 478	161 237 556
	EC145	Walter Sisulu	Unfunded		180 658 370	87 102 280
<b>EASTERN CAPE Total</b>				1	686 799 593	1 117 253 903
<b>FREE STATE</b>	DC16	Xhariep	Unfunded	Approved	5 517 181	261 611
	FS161	Letsemeng	Unfunded		63 880 389	-5 033 241
	FS162	Kopanong	Unfunded		277 498 106	42 154 473
	FS182	Tokologo	Unfunded		52 721 323	-18 499 280
	FS185	Nala	Unfunded		381 447 593	35 341 213
	FS193	Nketoana	Unfunded		171 073 553	31 272 638
	FS195	Phumelela	Unfunded		156 828 675	43 012 682
	FS203	Ngwathe	Unfunded		1 000 535 665	27 679 646
<b>FREE STATE Total</b>				2	2 109 502 485	156 189 742
<b>GAUTENG</b>	DC42	Sedibeng	Unfunded		139 743 590	50 675 780
	GT423	Lesedi	Unfunded		25 727 540	59 489 589
	GT481	Mogale City	Unfunded		292 432 176	-15 922 380
	GT484	Merafong City	Unfunded		348 644 923	249 432 160
<b>GAUTENG Total</b>					806 548 229	343 675 149
<b>KWAZULU-NATAL</b>	DC23	Uthukela	Unfunded	Still to be considered	16 365 023	46 123 740
	DC25	Amajuba	Unfunded		35 610 255	73 643 577
	DC26	Zululand	Unfunded		8 065 339	252 214 922
	DC27	Umkhanyakude	Unfunded		89 261 135	129 282 628
	DC43	Harry Gwala	Unfunded		12 654 169	177 026 035
	KZN223	Mpofana	Unfunded		74 583 000	-25 341 720
	KZN235	Okhahlamba	Unfunded		2 060 187	61 435 099
	KZN237	Inkosi Langalibalele	Unfunded		65 869 178	41 291 522
	KZN241	Endumeni	Unfunded		29 273 141	60 739 799
	KZN242	Nquthu	Unfunded		1 127 058	339 078 694
	KZN244	Msinga	Unfunded		910 472	11 415 522
	KZN245	Umvoti	Unfunded		12 048 527	-2 807 619
	KZN252	Newcastle	Unfunded		118 924 356	58 779 832
	KZN261	eDumbe	Unfunded		19 380 613	4 031 821
	KZN266	Ulundi	Unfunded		79 504 590	86 664 410
	KZN276	The New Big 5 False Bay	Unfunded	Approved	3 665 849	25 877 938
	KZN281	Mfolozi	Unfunded		2 141 835	2 592 558
	KZN286	Nkandla	Unfunded		-14 581 088	23 811 750
<b>KWAZULU-NATAL Total</b>				2	556 863 639	1 365 860 508

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Province	Demarcation	Municipality	2017/18 Adopted Budget	Financial Recovery Plans	Creditors Q2 2017/18	Cash & Cash Equivalents Q2 2017/18
<b>LIMPOPO</b>	DC33	Mopani	Unfunded		746 568 453	157 778 731
	DC34	Vhembe	Unfunded		19 084 738	1 082 484 125
	DC35	Capricorn	Unfunded		280 109 521	456 245 998
	DC36	Waterberg	Unfunded		294 653	146 725 004
	DC47	Sekhukhune	Unfunded		36 045 249	-94 708 242
	LIM331	Greater Giyani	Unfunded		0	201 639 873
	LIM332	Greater Letaba	Unfunded		1 661 838	78 090 106
	LIM333	Greater Tzaneen	Unfunded		4 100 953	2 205 840
	LIM334	Ba-Phalaborwa	Unfunded	Approved	7 111 902	425 862
	LIM335	Maruleng	Unfunded		103 954	157 184 065
	LIM341	Musina	Unfunded	Approved	65 345 366	15 957 994
	LIM344	Makhado	Unfunded		13 598 580	358 863 186
	LIM351	Blouberg	Unfunded		0	76 166 998
	LIM353	Molemole	Unfunded		425 407	126 197 973
	LIM355	Lepelle-Nkumpi	Unfunded		0	307 949 113
	LIM361	Thabazimbi	Unfunded	Approved	407 184 092	7 247 110
	LIM362	Lephalale	Unfunded		0	51 972 286
	LIM366	Bela Bela	Unfunded		0	9 324 786
	LIM367	Mogalakwena	Unfunded		16 032 129	253 117 519
	LIM368	Modimolle-Mookgopong	Unfunded		67 165 937	43 985 287
	LIM471	Ephraim Mogale	Unfunded		0	152 389 968
	LIM472	Elias Motsoaledi	Unfunded		0	40 876 202
	LIM473	Makhuduthamaga	Unfunded		27 627 854	133 608 297
	LIM476	Fetakgomo-Greater Tubatse	Unfunded		16 048 004	298 547 449
<b>LIMPOPO Total</b>				3	1 708 508 630	4 064 275 530
<b>MPUMALANGA</b>	MP302	Msukaligwa	Unfunded		608 104 967	90 996 797
	MP305	Lekwa	Unfunded	Still to be considered	937 596 630	66 223 465
	MP316	Dr J.S. Moroka	Unfunded		2 228 062	142 112 127
	MP321	Thaba Chweu	Unfunded		460 413 444	56 314 627
<b>MPUMALANGA Total</b>				1	2 008 343 103	355 647 016
<b>NORTH WEST</b>	DC38	Ngaka Modiri Molema	Unfunded	Approved	80 323 725	167 881 819
	DC39	Dr Ruth Segomotsi Mompati	Unfunded		0	259 432 534
	DC40	Dr Kenneth Kaunda	Unfunded		0	64 649 504
	NW372	Madibeng	Unfunded		260 677 714	106 456 065
	NW374	Kgetlengrивier	Unfunded		0	-2 336 037
	NW382	Tswaing	Unfunded	Approved	89 339 799	18 458 470
	NW383	Mafikeng	Unfunded	Approved	287 534 317	189 142 141
	NW384	Ditsobotla	Unfunded		285 538 719	22 995 812
	NW385	Ramotshere Moiloa	Unfunded		19 575 905	40 040 562
	NW392	Naledi (Nw)	Unfunded	Approved	399 199 449	14 692 075
	NW393	Mamusa	Unfunded		82 390 498	708 095
	NW396	Lekwa-Teemane	Unfunded		268 484 242	8 084 940
	NW403	City Of Matlosana	Unfunded		0	154 950 708
	NW404	Maquassi Hills	Unfunded		175 147 832	-65 668 128
<b>NORTH WEST Total</b>				4	1 948 212 200	979 488 560
<b>NORTHERN CAPE</b>	DC45	John Taolo Gaetsewe	Unfunded		653 833	11 867 014
	DC8	Z F Mgcawu	Unfunded		769 089	12 118 093
	NC062	Nama Khoi	Unfunded	Still to be considered	190 551 501	11 389 298
	NC064	Kamiesberg	Unfunded		22 251 171	97 292
	NC065	Hantam	Unfunded		18 462 216	4 406 537
	NC067	Khai-Ma	Unfunded		19 764 989	10 592 506
	NC071	Ubuntu	Unfunded	Approved	49 148 337	-10 731 270
	NC075	Renosterberg	Unfunded	Approved	66 560 133	10 186 881
	NC076	Thembelihle	Unfunded		65 878 606	-2 746 611
	NC077	Siyathemba	Unfunded		34 423 926	21 072 804
	NC078	Siyancuma	Unfunded		102 051 271	5 945 720
	NC082	!Kail Garib	Unfunded		0	5 556 224
	NC084	!Kheis	Unfunded		8 878 142	12 755 089
	NC085	Tsantsabane	Unfunded		126 536 193	-1 449 429
	NC086	Kgatelopele	Unfunded		0	31 757 920
	NC087	Dawid Kruiper	Unfunded		21 855 890	33 510 402
	NC092	Dikgatlong	Unfunded	Approved	111 124 762	465 123
	NC093	Magareng	Unfunded	Still to be considered	119 940 564	13 327 147
	NC094	Phokwane	Unfunded		0	17 587 818
	NC451	Joe Morolong	Unfunded		6 874 364	26 397 695
	NC452	Ga-Segonyana	Unfunded		133 098 815	24 962 131
	NC453	Gamagara	Unfunded		0	0
<b>NORTHERN CAPE Total</b>				5	1 098 823 802	239 068 384
<b>WESTERN CAPE</b>	WC041	Kannaland	Unfunded		41 652 566	13 503 903
	WC051	Laingsburg	Unfunded		85 923	17 645 691
	WC053	Beaufort West	Unfunded		6 032 728	21 839 940
<b>WESTERN CAPE Total</b>					47 771 217	52 989 534
<b>Grand Total</b>				<b>18</b>	<b>10 971 372 898</b>	<b>8 674 448 326</b>

## Annexure B

### Summary of unfunded budgets per province, 2017/18

Number	Municipalities in province	2017/18	
		Unfunded as per the municipality	Unfunded as per the treasury assessment
<b>Province</b>			
Eastern Cape	39	11	15
Free State	23	10	8
Gauteng	11	6	4
KwaZulu-Natal	54	3	18
Limpopo	27	4	24
Mpumalanga	20	5	4
North West	22	10	14
Northern Cape	31	10	22
Western Cape	30	2	3
<b>Total</b>	<b>257</b>	<b>61</b>	<b>112</b>

Source: National Treasury Local Government Database