

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 409 [NW472E]
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409. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:

Whether he would consider issuing appropriate regulations in terms of section 168(1) of the Municipal Finance Management Act, Act 56 of 2003, to ensure that payments by consumers for electricity from Eskom are placed in a separate ring-fenced account, in order to ensure that local authorities do not use it for other unauthorised expenditure?

NW472E

REPLY:

In terms of section 160(1) of the Constitution, a municipal council, makes decisions concerning the exercise of all the powers and the performance of all the functions of the municipality. The Municipal Finance Management Act 56 Of 2003 (MFMA) was issued to provide municipal councils with the financial management legal framework to enable decision making, which includes amongst others, the management of the municipality's bank account. The MFMA is applicable to both municipalities and municipal entities. The MFMA enables municipalities to open more than one bank account provided that initial allocations to the municipalities flows through the municipality's primary bank account. The legislation is however silent on the issue of "ring fencing", however, nothing stops the municipal council from adopting a written policy which enables the ring fencing of funds for purpose of defraying liabilities due towards Eskom.

An Inter-Ministerial Task Team, made up of officials from the National Treasury and the Department of Cooperative Governance, has been established to look at strategies to address the failure by municipalities to pay, amongst others, Eskom and Water Boards.

Over and above the Inter-Ministerial Task Team, both the national and provincial treasuries are assisting financially struggling municipalities to prepare financial recovery plans for implementation. This will assist towards ensuring that the municipalities are financial sustainable. It is also important that issue of regulations are also looked at in the context of the Constitution referred to above, namely, that the executive authority at local government is vested within the municipal councils. The National Treasury can therefore regulate to provide a framework for decision making, but the ultimate and final decision vest with the municipal council.