



**MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA**

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Hon. T Modise, MP

Chairperson of the National Council of Provinces

Parliament of the Republic of South Africa

PO Box 15

CAPE TOWN

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Dear Chairperson

**CORRECTION TO THE ALLOCATIONS FOR THE MUNICIPAL DISASTER
RECOVERY GRANT TABLED IN ANNEXURE W4 OF THE DIVISION OF
REVENUE BILL, 2015**

The National Disaster Management Centre (NDMC) has alerted the National Treasury to an error in the municipal allocations for the Municipal Disaster Recovery Grant that were tabled on 25 February 2015 in an annexure to the Division of Revenue Bill, 2015. The NDMC wrote to the National Treasury on 3 March 2015 to request that this error be corrected. This letter (attached as Annexure A) requests that instead of reflecting an allocation of R10 million in 2015/16 for Umjindi Local Municipality, the allocations in that year should reflect R4.6 million for Umjindi Local Municipality and R2.6 million for Bushbuckridge Local Municipality and the remaining R2.8 million should be reflected as unallocated. This technical error resulted from incorrect capturing of information by one of the NDMC's contractors. The proposed administrative correction will ensure that the right amounts are transferred to the municipalities that need funding in order to repair infrastructure damaged by natural disasters.

As the allocations per municipality for this grant are contained in the annexures to the Bill and not the schedules, they will only have legal force once they are gazetted by the Minister of Finance in terms of Section 16(1) of the Division of Revenue Act, 2015 (once enacted). I would therefore like to request that Parliament agrees that

the corrected allocations should be gazetted (and not the allocations tabled). The corrected allocations are detailed in Annexure B.

Kind regards

A handwritten signature in black ink, appearing to be 'Nhlamhla Nene', written over a horizontal line.

NHLANHLA NENE

MINISTER OF FINANCE

Date: 4/3/2015

Cc: Hon S.J. Mohai, MP – Chairperson: Select Committee on Appropriations



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

INTERGOVERNMENTAL RELATIONS

Contact: Steven Kenyon
Tel: (012) 395 6882
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MEMORANDUM

**STANDING COMMITTEE ON APPROPRIATIONS
SELECT COMMITTEE ON APPROPRIATIONS**

**CORRECTION OF ALLOCATIONS FOR THE MUNICIPAL DISASTER RECOVERY
GRANT**

PURPOSE

1. To inform the Standing and Select Committees on Appropriations of an error in Annexure W4 to the Division of Revenue Bill, 2015.
2. To request that the Committees agree that National Treasury corrects this error when gazetting allocations in terms of Section 16(1) of the Division of Revenue Act, 2015 (once enacted).

BACKGROUND

3. The 2015 MTEF allocations per municipality for the Municipal Disaster Recovery Grant were submitted to National Treasury by the National Disaster Management Centre (NDMC) in December 2014, in line with the requirements of Section 27 of the Division of Revenue Act, 2014. These allocations were included in Annexure W4 to the Division of Revenue Bill which was tabled on 25 February 2015.
4. After the Bill was tabled, the Provincial Disaster Management Centre in Mpumalanga identified an error in the allocations to municipalities in that province for the Municipal Disaster Recovery Grant. The NDMC alerted the National Treasury to this problem and conducted an assessment to verify the correct amounts that should have been allocated to municipalities in Mpumalanga.
5. The NDMC formally wrote to National Treasury on 3 March 2015 to request that this error be corrected. This letter is attached as Annexure A. It requests that instead of reflecting an allocation of R10 million in 2015/16 for Umjindi Local Municipality, the allocations in that year should reflect R4.6 million for Umjindi Local Municipality and R2.6 million for Bushbuckridge Local Municipality and the remaining R2.8 million should be reflected as unallocated.

PROPOSED CHANGES

6. As the allocations per municipality for this grant are contained in the annexures to the Bill and not the schedules, they will only have legal force once they are gazetted by the Minister of Finance in terms of Section 16(1) of the Division of Revenue Act, 2015 (once enacted). It is therefore possible to change these allocations before they are gazetted and to ensure that only the correct allocations are gazetted.
7. The Annexures to the Division of Revenue Bill are tabled so that Parliament is aware of the detail that will be gazetted in terms of the Act once it is enacted. This proposed change will mean that the gazetted allocations for this grant will be different to those

- tabled as part of the Division of Revenue Bill. We would therefore like to ensure that Parliament is properly informed of, and agrees to, this change.
8. Annexure B shows the allocations for the Municipal Disaster Recovery Grant included in the Division of Revenue Bill, 2015, and the corrected allocations that should be included in the gazette published in terms of Section 16(1) of the Division of Revenue Act, 2015 (once enacted).

RECOMMENDATIONS

8. It is requested that the Standing and Select Committees on Appropriations include in their reports on the Division of Revenue Bill, 2015, a recommendation that National Treasury gazettes the correct allocations for the Municipal Disaster Recovery Grant.



MALIJENG NGQALENI

DEPUTY DIRECTOR GENERAL: INTERGOVERNMENTAL RELATIONS

Date: 04/03/2015



cooperative governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

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Reference: 21/4/1/1

Ms Malijeng Ngqaleni
Deputy Director-General
National Treasury
Private Bag X115
Pretoria
0001

Attention: **Messrs S. Mashaba and Steven Kenyon**

Dear Colleague

MISALLOCATION OF 2014/15 IN-YEAR MUNICIPAL DISASTER RECOVERY GRANT FOR MPUMALANGA PROVINCE

During the 2012/13 and 2013/14 financial years, municipalities in the provinces of Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and Western Cape were affected by flooding which resulted in state of disasters being declared. An overall amount of **R 2 689 586 804** million was requested on behalf of these Provinces to repair and replace damaged houses, schools, clinics and other infrastructure such as roads, bridges and agricultural infrastructure.

Following the damage verification and assessment by the independent assessors, an amount of **R464 047 331** was requested on behalf of 24 municipalities within the above-mentioned provinces to rehabilitate or reconstruct the damaged infrastructure (**Annexure A**). Approval was granted for the identified municipalities through a formula of 34% in 2014/15, 36% in 2015/16 and 30% in 2016/17.

With reference to the Government Gazette No 38375 dated 31 December 2014 (Copy attached). An amount of **R156 952 million** has been allocated to the Municipal Disaster Recovery Grant in the 2014/15 financial year with the aim to assist municipalities to rehabilitate or reconstruct disaster damages.

Misallocations within the municipalities in Mpumalanga Province has been identified, (see attached Annexure B). The error was identified by Mpumalanga PDMC during the development of business plans which is a condition within the Municipal Disaster Recovery Grant. The NDMC used the final signed off report by Mpumalanga province to consolidate all the funds requested during the budget adjustment process. It was indicated during the consultation meeting with Mpumalanga PDMC that the ownership of infrastructure was erroneously captured and placed to wrongful owners.

The NDMC has been in consultation with the Mpumalanga Provincial Disaster Management Centre to ensure proper allocation of the Municipal Disaster Recovery Grant to the relevant municipalities. The NDMC hereby kindly request the correction of the errors made in the allocation of the below attached municipal allocations as per Section 16 (2) (a) of the Division of Revenue Bill of 2015.

Out of the initial R10 million allocation for 2015/16 financial year, Umjindi LM allocation should be reduced to **R4 586 million** to repair the affected bridge in the municipality. Bushbuckridge LM should be allocated **R2 635 million** during 2015/16 financial year to assist with the repair of the damaged bridges. The following corrections are presented for your attention for 2015/16;

Municipality	2015/16	2016/17	2017/18
Bushbuckridge Local Municipality	2 635	-	
Nkomazi Local Municipality	20 000	20 000	
Umjindi Local Municipality	4 586	-	

It is requested that the variance of R2 779 million be reflected as unallocated funding since it is not attached to any particular project.

Kindly note that you may contact the Executive Manager, Ms Modiegi Sethusha telephonically on (012) 848 4619, or by e-mail Moddys@ndmc.gov.za should you require any further information.

I trust that you will find this in order.

With kind regards,



Mr. K Terry -

HEAD: NATIONAL DISASTER MANAGEMENT CENTRE

Date: 3.3.2015