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## **Local council funding falls short, says Salga**

THE South African Local Government Association (Salga) has taken issue with the Treasury for allocating 9% of national revenue to local government, saying this is insufficient to fulfil its mandate, which includes carrying the cost of planned municipal demarcations.

The chairman of Salga's finance national working group, Subesh Pillay, told MPs on Friday the allocation was insufficient and the inflation adjustments fell short of what was required to cover the increases in water and electricity prices.

Mr Pillay said that in the 2014-15 fiscal year, the allocation for electricity in the equitable share fell short by R3.56bn of the actual cost of providing the service. The allocation for water provision was also too little.

He said the method of calculating the cost of providing a basket of basic services was being discussed with the Treasury and the Financial and Fiscal Commission as part of the continuing work of reviewing the equitable share formula.

While the Treasury had provided a R139m allocation under the demarcation transition grant to assist municipalities in Gauteng and KwaZulu-Natal that were affected by demarcation changes, this was unlikely to be sufficient.

Mr Pillay referred to the R1.2bn cost the Tshwane metropolitan council had to bear as a result of the incorporation of Metsweding district municipality following a redemarcation in 2011 — money it could have used to provide services to its original constituents, and money which the fiscus had not refunded.

"As we continue to deal with demarcations and mergers, we have to be cognisant of the fiscal impact they have on receiving municipalities," Mr Pillay said.

The costs related to the equalisation of salaries, harmonisation of information technology systems, paying off creditors and the rationalisation of the administrations. There was also a need to address the demands of residents in the incorporated municipality for services.

Treasury chief director of intergovernmental policy and planning Wendy Fanoë said the demarcation transition grant covered only the costs of transition, not the provision of backlog services, which would be covered by the grant to the dissolved municipality.

She said that in the past decade, transfers to local government had increased much faster than those to other spheres of government. The question was whether value was realised for money allocated.

Mr Pillay said that the indebtedness of the state, households and businesses to municipalities was an "albatross" on local governments and impeded their ability to provide services. The debt owed by government departments and state entities to municipalities was on the rise.

Salga officials noted that pending legislation proposed by the Department of Cooperative Government and Traditional Affairs to exempt state infrastructure such as schools from the payment of rates and taxes would have a huge effect on municipal revenues

Mr Pillay conceded the financial management of municipalities left much to be desired.

<http://www.bdlive.co.za/national/politics/2015/03/09/local-council-funding-falls-short-says-salga>