

## Cape Town to quiz regulator over national grant

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By Donwald Pressly

Cape Town's multi-party administration will check the equitable share formula and interact with the **Financial and Fiscal Commission** to determine why the city's funding share from the national government is only half of Johannesburg's allocation.

Cape Town will receive R609 million from the equitable share in the coming year, while Johannesburg will get R1.2 billion. Ekurhuleni and eThekweni will each get R1.1 billion. Johannesburg's share will rise to R1.6 billion in 2010/11, Ekurhuleni's to R1.4 billion and eThekweni's to R1.3 billion.

Ian Neilson, the mayoral committee member for finance, said he had listened to the arguments of Finance Minister Trevor Manuel that the formula was based in part on the number of poor people who lived in the metros.

But he remained unconvinced that the divide was so markedly different.

"Why are we only getting 60 percent of Ekurhuleni's allocation?" he asked yesterday.

Garth Strachan, the ANC's Western Cape Finance MEC, recently accused Neilson of not reading the relevant section in the Division of Revenue Bill.

In his provincial budget speech, Strachan objected to Neilson's suggestion that "cuts in the national grant allocation to Cape Town penalise the city for being well run".

There was a detailed explanation in the memorandum to the 2009 Division of Revenue Bill, "which appears not to have been read by my esteemed colleague at the city", Strachan said. "Suffice for me to state that overall the city's transfers from the national government increase by over R40 million year on year." The figure jumps to R817 million in 2010/11.

The regional service council replacement grant would be subsumed by a fuel levy equivalent, noted Strachan. The tax would be levied at a national level and would go, "among others", to the City of Cape Town.

In a statement, Manuel's office dismissed Neilson's allegations that there had been a shortfall in its allocations.

Noting that the treasury aimed to assist municipalities in preparing multi-year budgets, his office said the City of Cape Town was guaranteed to receive 90 percent of the indicative amount for 2009/10 in terms of the medium-term expenditure framework.

This was based on the equitable share formula, which was overseen by the Financial and Fiscal Commission.

"The City of Cape Town indicates that it falls in the same category as municipalities such as Ekurhuleni, which is allocated an equitable share amount of R1 billion in 2009/10 compared with Cape Town's R609 million," said Manuel. "It appears that the City of Cape Town is not fully cognisant of the demographics that underpin how the formula works.

"The formula does indeed ensure that municipalities with similar sociodemographic and service delivery constraints will receive similar allocations.

"Although the population sizes of these two metropolitan municipalities are similar, their levels of poverty and access to services vary.

"Ekurhuleni metro has nearly 100 000 more poor households than the City of Cape Town (2001 census) which explains at least part of the variance in the equitable share allocations," the minister reported.