

FIN24

Municipalities won the budget battle, but could still lose the Covid war

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The South African Local Government Association and the Financial and Fiscal Commission told Members of Parliament on Thursday afternoon that the recent supplementary budget to respond to Covid-19 did not go far enough to assist municipalities at the coalface of government's response to the pandemic.

The FFC and the South African Local Government Association were briefing a joint meeting of the Select Committee on Appropriations and Standing Committee on Appropriations during a virtual parliamentary meeting.

The meeting comes two weeks after Minister of Finance [Tito Mboweni](#) tabled his supplementary budget, which was aimed at funding and steering government's response to the Covid-19 pandemic.

Compared to the February 2020 budget, the allocation to the local government sphere increases from R132.5 billion to R139.9 billion in the supplementary budget review, with an additional R11 billion through the equitable share, and R9 billion in conditional grants for services including water and transport.

Lower revenue hitting budgets

Salga executive director, Kgomotso Letsatsi, said municipalities are expected to adjust their budgets downward as a result of the Covid-19 pandemic due to a decline in anticipated revenue collection.

Local government also received the additional R7 billion or 5.3% upward adjustment of the allocation to the local government in terms of the Division of Revenue Act.

"A total of R12.6 billion for conditional grant suspension has been imposed on local government. It is anticipated that more suspensions shall be imposed in the October 2020 adjustment budget," said Letsatsi.

But Letsatsi said organised local government believed the supplementary budget review did not go far enough in assisting council.

"The municipalities have reported aggregate revenue losses of up to 60% and inability to manage positive cash flows as the economy takes a dive. The sphere faces limited tax revenues, unemployment continues to rise increasing the number of indigents and rising debt levels due to Covid-19," Letsatsi said.

An emergency - not a policy change

FFC researcher Mkhululi Ncube said the special budget bill, the division of revenue amendment bill and the 2020 adjustments appropriation bill were done as a response to the Covid-19 pandemic and were not to be taken as a change to policy, as government's fiscal policy will be unpacked in October.

"The local government sphere is at the coalface of this pandemic and is key to implementing government response," said Ncube.

Ncube said the largest adjustment to the budget would see an increase of R12.3 billion to assist vulnerable households, increased social payments and transfers to local government.

"[The] Commission supports these adjustments, especially support to municipalities as they are key to implementing response to Covid-19," Ncube said.

Ncube said while the supplementary budget projected R591 million reduction in the portion of budgets going towards compensation of employees, "the extent to which this will be achieved is questionable".

Regarding Mboweni's R3 billion commitment to support the Land Bank, Ncube said persistent financial assistance to ailing state owned enterprises would divert funds from critical areas of service delivery.

Auditor General Kimi Makwetu released his consolidated municipal audit report for the 2018-19 financial year and found that of the R226 billion in revenue that municipalities raised for that financial year, councils were unlikely to recover 60% of it.

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