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Unresolved local govt finances could see municipal services cut back, FFC warns

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Gaye Davis | 12 November 2020

CAPE TOWN - The Financial and Fiscal Commission (FFC) has warned that if the crisis in local government finances was not dealt with, the package of public services that municipalities must provide will have to be reduced in future.

The independent advisory body briefed a joint meeting of Parliament's appropriations committees on Wednesday.

Many municipalities are in debt for electricity and water and cannot cover their operating expenses, among other problems.

FFC deputy chairperson Michael Sachs said that there were three options to resolve what was clearly a fiscal crisis in local government.

He said that taxes could be raised in order to give municipalities more money as many were budgeting to spend money they did not have.

Or he said, taxes could remain as they were, and money could be shifted from national and provincial departments.

"Of course, national and provincial government also have a mandate to provide education, healthcare and criminal justice services. So, if we shift the money away from those things to local government, we may ease the unfunded mandate at local government, but raise the unfunded mandate at national government."

A third option, Sachs said, would be to trim the services which local government was responsible for providing.

Sachs warned that this may not be an option for much longer: "If we don't take seriously the fiscal crisis at local government level and the need for clear policy choices about the fiscal path ahead and the implications of that policy, the likelihood is that solution three will emerge most strongly in the years ahead."

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