

## Business Day 20 October 2010

### Municipalities using 'flawed fiscal support system'

The current municipal funding formula is flawed, unsustainable and requires immediate review if developmental imperatives are to be met.

BEKEZELA PHAKATHI

Published: 2010/10/20 06:45:33 AM

---

THE current municipal funding formula is flawed, unsustainable and requires immediate review if developmental imperatives are to be met, Co-operative Governance and Traditional Affairs Minister Sicelo Shiceka told Parliament yesterday.

He said there is a need to review the entire fiscal support system provided to municipalities and a need for MPs to engage more robustly with the **Financial and Fiscal Commission**. The R56bn that the government, business and households owe municipalities negatively affects their ability to launch development projects, which in turn leads to service delivery protests.

Mr Shiceka said the formula being used to fund municipalities is limited and narrow, taking into account only population numbers, while ignoring other critical issues such as the topography of the area. He was speaking at a briefing on the department's latest annual report.

Mr Shiceka said his department has made significant progress. It received an unqualified audit report from the auditor -general in the 2009-10 financial year.

Through implementing the local government turnaround strategy, service delivery had started to show improvements with regard to water, sanitation, electricity, roads and community lighting.

But the ability of provincial governments to monitor the capacity of municipalities to deliver was still a major challenge receiving urgent attention. A focal point of assisting municipalities will be to ensure that by 2014, co-operation between national, provincial and local government is strengthened, he said.

The South African Local Government Association (Salga) said municipal debt grew from R30bn in 2005 to R56bn. Household debt increased from 45% of arrears in 2005 to the current 56%. Businesses accounted for 12% of the debt and government 5%.

Salga's executive director of economic development and development planning, Mayur Maganlal, said yesterday the debt will "definitely affect service delivery. The metros and the big cities who are owed 75% of the total debt would be most affected."

Mr Maganlal said there was a need for municipalities to improve their internal systems to address the mounting debt. "We need to improve our customer billing systems, which are very old," he said.

He said there are several reasons the debt has increased significantly. The cost of services is increasing and municipalities have insufficient and insignificant bad debt write-off. "It's not that municipalities are not collecting the money owed to them," he said. Salga believes better pricing of services is needed for the poor.

Trevor Blake, director of revenue services at the City of Cape Town, said non payment of accounts inhibits service delivery as it restricts the city's resources. With Sapa

<http://www.businessday.co.za/articles/Content.aspx?id=124250>