SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SALGA
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Media Statement

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SALGA calls for increase in fiscus share for local government

The South African Local Government Association calls on the Minister of Finance to look into increasing the local government stake in the national fiscus ahead of his Medium Term Budget Policy Statement on Wednesday, 25 October 2017.

SALGA President Parks Tau said the local government sector's allocation was currently standing at 9.1% of the fiscus, and this needed to be increased to enable the sector to better deliver on its constitutional mandate of service delivery.

"This percentage needs to be increased to enable local government to provide all the expected amenities that make cities work. Cities are responsible for the most basic services that citizens need, such as infrastructure, roads, electricity, as well as access to public transport, and even libraries. All these are needed for city living," Tau said.

Pointing out that submissions have already been made to Finance Minister Malusi Gigaba, Tau said there was an ongoing debate on the requested increase and the proposed structure.

"We will continue making submissions to government on how government can restructure the fiscal framework to support inclusive development that recognises the service delivery demands on local government," he said.

Tau said SALGA viewed the anticipated Medium Term Budget Policy Statement as an opportunity for government to reinforce the principles of open and accountable fiscal and budget processes in South Africa.

This is why we welcomed the opportunity afforded by the Finance Minister to local government to make inputs on the Budget Statement.

SALGA has also noted that the role of municipalities in delivering on their mandate has been gradually increasing in recent times. However, despite the increasing demands on municipalities for services, infrastructure and other service delivery needs, the financial resources allocated to municipalities fall short.

This is complicated by the current state of the economy, especially unemployment and limited local tax revenues. Already, ten local government bodies that included municipalities and entities were recently downgraded by a credit rating agency.

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The rational for the downgrade was deemed as a reflection of their close operational and financial linkages with the national government - illustrating the centralised nature of the local public sector in South Africa.

Local government has the smallest share of the division of revenue even after the Conditional Grants have been included. Hence, SALGA has been calling for a holistic review of the local government equitable share formula assumptions and revisions where necessary.

Though SALGA supports the progressive redistributive elements of the current horizontal formula, some of its assumptions, such as those on revenue collection capability, among others, are just not borne by reality.

This is clearer when one considers that local government is owed R128, 4 billion by state, household, business and other entities, and this amount is increasing from quarter to quarter.

Furthermore, assumptions on revenue collection also mean that most municipal budgets are not entirely cash funded – resulting in cash flow challenges and an overall poor financial health.

Therefore the argument that the fiscal framework takes into account revenue raising powers of local government is misinformed and problematic for the sector.

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