



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Inspiring service delivery

29 NOVEMBER 2018

**GETTING IT RIGHT FROM
THE BEGGINING**

REVENUE MANAGEMENT SOLUTION SUMMIT 2018

www.salga.org.za

PROBLEM STATEMENT



- Assumptions made on municipal revenue raising outlined in the White Paper on Local Government.
- That municipalities should raise 90% of its revenue
- Inadequacy of the equitable share for supporting municipalities in meeting their mandate
- Certain forms of property have (since the initial equitable share formulation) become zero rated – reducing potential income for some municipalities.
- The bulk cost of electricity has increased, and only some municipalities are able to use electricity sales as a meaningful source of revenue

PROBLEM STATEMENT:CONT



- Revenue provided to municipalities or generated from local tax bases is sometimes not used optimally;
- In the case of conditional grants this can be seen by municipalities having to return funds to the central fiscus.
- The dynamics shaping these inefficiencies are complex,
- In some cases relate to lack of administrative capacity created by a constrained supply of technical and financial skills in rural areas,
- As a result revenue collection ability is challenging

MTBPS: DIVISION OF REVENUE



Minister of Finance 2018/19 MTBPS

- The DORA continues to prioritise the large social spending including that support of basic education, health, social welfare services, water, sanitation, and electricity.
- Over the Medium term National Government receives 48.1%, Provinces receives 42.9% and local Government received 9.1%

DIVISION OF REVENUE



According to intergovernmental Fiscal Relations Act:

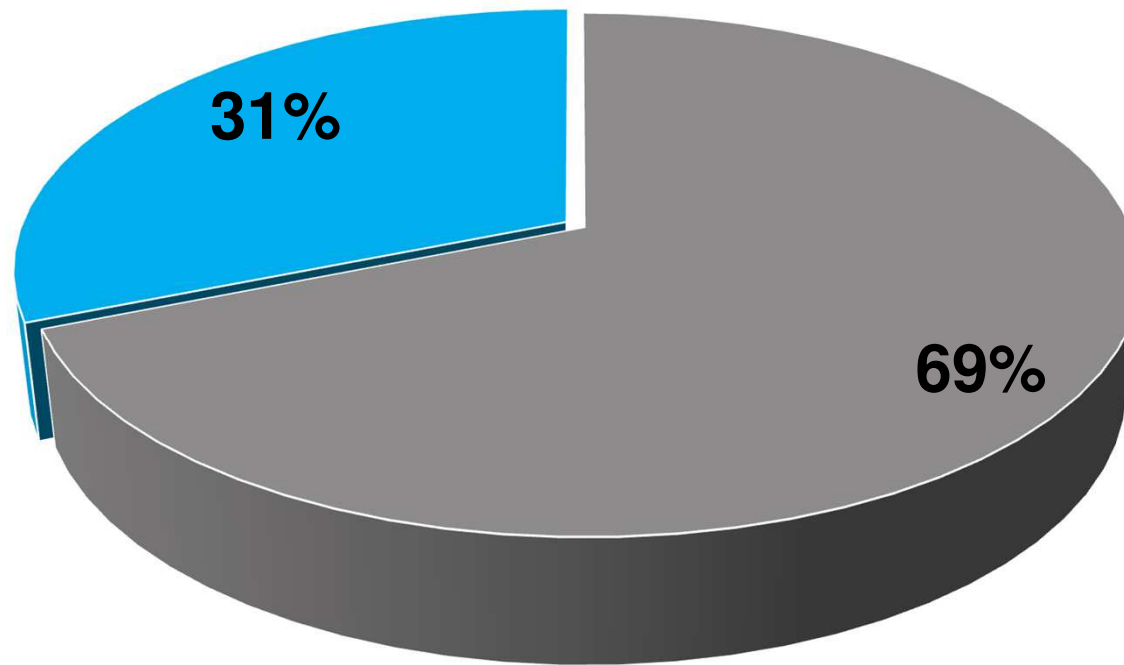
- The Constitution guarantees the provincial and local government spheres an “equitable share of nationally-raised revenues”, currently which is not the case
- This recognises that a fundamental imbalance exists between the expenditure and revenues patterns
- The main purpose of the equitable share is to close this fiscal gap,

ALLOCATIONS



Equitable Share Allocation in Billions	
	R'000
Total Allocation	R 1 512 200 152
National Allocation	R 1 041 913 642
Provincial Allocation	R 470 286 510
KZN Allocation	R 99 263 681
KZN Municipalities	R 12 287 114

EQUITABLE SHARE ALLOCATION



- National Allocation
- Provincial Allocation

WE SHOULD GET IT RIGHT FIRST



- According to AG Municipalities are in Financial disarray this is shown by levels of irregular spending.
- This is a challenge!!! Funds could be redirected
- Reprioritization of Spending and spend on revenue Generating Assets including human capital
- There is a need for an alternative sources of Revenue Generation
- Lobbying for equitable share to be equitable between all spheres

HOW TO GET IT RIGHT



- Focus on improving internal Processes
- Political buy-in is essential
- Ability to attract Trade and Investment within local Municipality's
- Improve Internally generated funds

THANK YOU