

Top 20 default Municipal Debt is regretted

FOR IMMEDIATE RELEASE:

26 May 2020

GAUTENG, South Africa: The Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO) continues to support the Public Sector in their endeavours to respond to the COVID-19 pandemic.

The COVID-19 crisis has highlighted electricity tariffs. Andre De Ruyter, Eskom Chief Executive, said “Eskom sold 46% of its electricity to municipalities, which was then sold to consumers, with mark ups which are as high as 10% to 18%, creating an impression that electricity tariffs were too high.” He further highlighted that 20 municipalities owed Eskom more than 26 billion.

What was not disclosed to the reader is the level of cross subsidisation between municipal customers and Eskom customers and the diverse tariffs charged to municipalities by Eskom. What is also omitted and needs scrutiny is the reluctance of Eskom, as the service provider of a municipal service, to work with Municipalities to collect outstanding Municipal debt in terms of a Service Delivery Agreement.

The reduction in electricity demand over the eight weeks of the National Lockdown, has enabled Eskom to address urgent repairs to address capacity issues. CIGFARO aims to further the interests of Practitioners in the Financial and related areas by advising institutions, commissions and other bodies and persons on some of the facts at hand. Certainly, the debt by Municipalities is regretted. However, the responsibility and commitment of Eskom to assist Municipalities is imperative in order to ensure every person who can afford to pay are paying for the full basket of municipal services with such payment including the payment of Municipal taxes.

The revenue collection processes by municipalities are complex and, in some instances, very emotional and cumbersome. Rates is the main source of revenue for general municipal expenditure. Utility income is for funding the utility service itself and the related aspects of keeping an efficient service in place. It has proven to be very difficult to collect revenues where the only collection method is rates because of rights enshrined in the Constitution in the Bill of Rights. The best methodology, acknowledged by National Treasury in the Inter-Ministerial Task Team on Revenue, is the suspension of electricity or the use of electricity provision as a credit control method to collect outstanding debt.

The reluctance of Eskom to comply with National legislation through the signing of Service Level Agreements with municipalities where Eskom is the electricity supplier, either in whole or in part, was raised by the South African Local Government Association (SALGA) in parliament. Even at that level it has not resulted in any positive outcome. Municipalities will be in a better financial position if Eskom complies with section 81 of the Local Government Municipal Systems Act, 32 of 2000, as amended, by signing the required Service Delivery Agreement (SDA) as envisaged.

President of CIGFARO says, “We are always willing to engage stakeholders and work together in building better lives for all.” It is also imperative to ensure that all organs of state work together to ensure a better life for all.

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