

Severe warning on municipal debt

BILLS: THREAT TO DISCONNECT SERVICES OVER ARREARS

» **Concern over a whopping R165.5 billion owed to local government.**

Eric Naki

The South African Local Government Association (Salga) has resolved that municipalities in future would have to disconnect services offered to businesses and government properties in the same manner they disconnect water and electricity to households.

At its recent national executive committee, Salga expressed concern that the debt owed to municipalities for services at a whopping R165.5 billion as at June 30.

The organisation revealed that the largest part of the debt was by

households which accounts for 71.7% or R118.6 billion. The government debt to municipalities was 6.2% or R10.3 billion.

Public works departments were the biggest culprits. The national public works had the largest debt of R3 billion of the total R3.4 billion. While the provincial public works, roads and transport has the largest debt of R3.7 billion of the total R5.8 billion.

Salga said the situation had become untenable for municipalities who are constantly threatened by disconnections from Eskom and water boards.

After its interaction with parliamentary portfolio committees, Salga had realised that the question of municipal arrears to Eskom remained a matter of concern due to its dire implications on the power utility.

Salga confirmed that municipal debt to Eskom and water boards were R25 billion and R14.9 billion respectively.

As a result, the association's national executive committee decided on a two-phased approach to address the problem.

In the first phase, all municipalities should "urgently and aggressively enforce credit control management measures". In the process they would target government properties and businesses, through disconnection where that was merited.

In the second phase, they would conduct a rigorous analysis of the gross debt and restructure debts to see realistically collectable debts and those that could be considered for write-off or repeal as historical uncollectable, including installation of prepaid meters.

"It is evident that there is a clear link between the ability of a municipality to service its debt and the inability of a municipality to collect from government, business and households for services delivered," Salga said.

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