

Business Day

Too much money being used for admin, report on municipalities shows

by [Khulekani Magubane](#), 21 September 2016

Municipalities are being burdened by huge administrative bills, which are rapidly outstripping the cost of delivering services to residents at over R40bn. This is according to a report from the South African Local Government Association (Salga) and the Financial and Fiscal Commission released in Cape Town on Wednesday, which shows municipalities face unprecedented challenges in getting their expenses under control.

The report found annual administrative costs across local government sat at R42bn compared with overall operating expenditure to deliver services to the poor at R35bn. The report, entitled Cost of Municipal Basic Services, also hinted that failure to maintain infrastructure was aggravating the already massive infrastructure backlog among councils and raising the cost of renewal.

The report's findings come at a time when the government is conducting a review of the equitable share allocation system, which poor municipalities rely on to fund infrastructure programmes.

Salga CEO Xolile George said the government needed to investigate norms and standards to address the current "unhealthy ratio" of administrative costs to service deliver provision costs. He said some administrative costs were unavoidable. "Admin cost to render a service must be carefully monitored but not conflated to employee-related costs alone. Fire fighters sit at the station and wait for a fire. That is a cost to offering a service. It is not only the truck loaded with water before it even fights the fire," said George.

Deputy Minister of Co-operative Governance Andries Nel said much of the work in addressing growing administrative costs was already in the works. Legislation and regulations for the employment of senior officials were already in effect, as were standards for remuneration, he said. "Together with Treasury we are producing a standard charter of accounts for local government, which will make it easier for residents to hold their councils to account," Nel said.

Treasury director for the local government budget framework Steven Kenyon said there were ways to make sure that administrative costs were reduced. If R40bn was an accurate reflection, it was too big and it was certainly something that needed to be controlled, he insisted.

He urged municipalities to use the allocations they are given more efficiently before calling for more funds. "The equitable share this year is R46bn. It's not a small amount of money. The focus needs be on seeing how we use what we already have to deliver the services that we are obligated to deliver to our people."

The reviews into how equitable share was allocated among municipalities were ongoing, Kenyon said.

<http://www.bdlive.co.za/national/2016/09/21/too-much-money-being-used-for-admin-report-on-municipalities-shows>