

MEDIA RELEASE

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SALGA and FFC unveil Cost of Municipal Basic Services Report

The South African Local Government Association in collaboration with the Financial and Fiscal Commission developed an approach for estimating the cost of providing basic services to poor households and amongst many the results this project shows that administrative costs associated with providing basic services are significantly high in municipalities. Included in the research are costs associated with providing Electricity, Water, Sanitation, Solid Waste, Roads and Storm Water, Cemeteries, Fire Services and Municipal administrative. These service offerings are core and as such deemed vital in municipal activities. The research methodology is designed to unpack capital and operational costs in different municipalities across the country taking into account geospatial and socio-economic variables.

Key issues coming out of the research are the following: -

1. The funding required per poor household, whether for capital creation or operating expenditure, is sensitive to local conditions and will therefore vary from municipality to municipality
2. The higher unit capital cost of serving the urban poor places pressure on the fiscus.
3. Refurbishment and renewal is becoming a huge cost item. By 2018 the annual capital funding requirement for basic services is estimated to be in the order of R 45 270 million. Of this amount, 46% will be needed for the renewal of infrastructure. And as more infrastructure is created every year, this need will continue to grow.
4. Municipal administrative costs associated with the running of municipal councils which include the cost of governance (Council), the municipal manager's office, and the functions of planning, corporate services, budget and treasury, and auditing takes almost half of the allocations of the funds intended for service delivery. A cost analysis of municipal administrative costs indicate a sizeable variance in the number of staff employed to provide administrative services, and in the costs per household to deliver those services.

The results of the study require some policy shifts on the side of government and the following policy positions must be investigated: -

1. Investigate the development of norms and standards to address the current unhealthy ratio of administrative costs to service delivery costs,
2. Investigate spatial optimisation to address the high capital spending on roads

3. Municipalities must prioritise the renewal of municipal infrastructure
4. Emphasise the redistributive policy approach but with special emphasis on balancing urban and rural service delivery provision.

SALGA and the FFC is intending to present these findings among others, to intergovernmental structures such as the Budget Forum, and MinMecs of various sectors in order to lobby for a policy change. Going forward SALGA and FFC would pursue further engagement with stakeholders with a view to finding lasting fiscal and policy solutions on the risks and challenges identified in the research. This approach and commitment is seen as incremental towards ensuring municipalities meet their socio – economic objectives as stipulated in the National Development Plan, Medium Term Strategic Framework including the Sustainable Development Goals.

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