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SALGA Comments on the 2011 MTBPS

Standing Committee on Appropriations

9 November 2011

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General Comments

- Economic outlook and need for fiscal prudence is noted
  - Slowing economy also affects LG revenue and service delivery
  - Agree that municipalities should also reprioritise their budgets towards more investment in infrastructure
- Commitment towards protecting the baseline allocations to LG is noted
  - SALGA welcomes the R5 billion added to LG allocations over the 2012 MTEF
- However, there is a need for empirical studies into the cost of service delivery in LG to inform decisions about the vertical share of revenue
- Such studies should underpin the LG fiscal framework review that is underway

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Equitable Share

- SALGA welcomes the R2.2 billion added over the 2012 MTEF
  - sustains delivery of free basic services to the poor
- Rising cost of bulk services and demand for basic services requires higher than inflation increases to the LGES
  - municipalities have to provide for repairs and maintenance of infrastructure through which free basic services are delivered
  - basic services is gradually becoming unaffordable
- SALGA notes the review of the formula that is underway and will continue to participate in the review process that should result in:
  - a more equitable distribution of funds between different municipalities based on their varying fiscal capacities
  - a new poverty line, more municipal services covered (e.g. fire-fighting and storm water drainage systems, etc), more funds for rural municipalities

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Conditional Grants

- SALGA notes the additional R2.8 billion for direct transfers and R994 million for in-direct transfers to municipalities for:
  - upgrading of informal settlements in cities and large towns
  - bulk infrastructure and solid waste management in rural municipalities
- SALGA would support further additions towards:
  - integrated bulk raw water storage facilities to support service delivery in smaller mainly rural municipalities
  - funding for roads infrastructure management capacity in the rural municipalities
  - targeted support towards improvement of capacity of rural municipalities such as the initiatives for urban municipalities under the Urban Settlements Development Grant
- Municipalities must be better capacitated to plan and execute projects funded through conditional grants

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Other matters

- Government must address Unfunded Mandates
  - FFC submission for 2012/13 division of revenue estimated the extent of unfunded mandates in metros at R4 billion per annum
- Review ad-hoc national policies and legislative amendments, e.g.:
  - AARTO e.g. is not functional and costs money
  - rates ratios for categories of properties in terms of the MPRA
  - NERSA tariff processes that are not aligned to MFMA budget process
- National and Provincial governments must commit to pay outstanding property rates to municipalities
- Provide property data from Deeds Office free of charge to municipalities
  - assist in improving billing integrity and achieving clean audits

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Conclusion

- SALGA acknowledges the tight fiscal stance amid the national and global economic challenges
- SALGA will impress upon its members to redirect spending towards frontline services, and to reduce non-core and ineffective expenditure
  - Budget Week workshops over the next few months to prepare for 2012/13
  - Financial Circular to municipalities
- National Treasury must develop a framework of revenue management that is applicable to all policy and legislative impacts on local government, including a compulsory assessment of the implementation costs and also to revisit these two years after implementation to deal with any unintended consequences