



SALGA

South African Local Government Association

PREVIEW OF BUDGET SPEECH: A LOCAL GOVERNMENT PERSPECTIVE 23 FEBRUARY 2011

BACKGROUND

The Minister of Finance is set to deliver the National Budget speech speaking to the budgetary allocations for National Departments, Provinces and Local Government. Last year's budget speech set Local Government as a priority for investment towards targeted outcomes.

SALGA should give a Local **Government perspective on the budget speech expectations**, without necessarily going into actual expected cost allocations but areas that should have special mention. SALGA should further touch on the **previous year's budget allocations, the good, the bad and the gaps**. Following which the **municipal fiscal situation and needs** should be elaborated on.

Budget Speech 2010

"The local government equitable share receives a further R6.7 billion to support municipalities to cushion poor households for the rising cost of electricity and water. An additional R2.5 billion goes to the Municipal Infrastructure Grant. Total allocations to municipalities rise from R55 billion in 2009/10 to R78 billion in 2012/13. We are mindful of the fact that even though transfers to municipalities have increased strongly over the past five years, service delivery problems persist. We are working with the Minister of Cooperative Governance and Traditional Affairs to resolve these problems, to improve financial management and to ensure that higher spending allocations translate into real improvements in people's lives."

SALGA expectations for the 2011 Budget

- The vertical division of revenue must take into account the funding constraint of local government in fulfilling its broader development mandate, not just free basic services. The substantial increases in the prices of bulk electricity and water anticipated over the medium term need to be factored in as well.
- Increased municipal service delivery is not being recorded due to the lack of proper official data sources (which informs decisions on the split in nationally raised revenue).
- SALGA is expecting an increase in the equitable share envelope to further support municipalities to provide free basic electricity to the poor, given the increasing bulk price of services (in particular electricity).
- In poorer municipalities, expansion of infrastructure to poor communities through the MIG has resulted in greater pressure on operating and maintenance budgets. The 2011 Budget should start to address this.
- Smaller municipalities with limited own revenue raising capacity, should receive further support through the local government equitable share to enable them to maintain governance and administration structures. In this regard, every small municipality must be in a position to attract and retain skilled and experienced professionals in finance, engineering, human resources, planning and communication.
- SALGA is expecting support for local government towards the higher cost of governance associated with increased number of wards and councilors following the coming elections.
- Additional funding should be allocated towards the payment of government property rates accounts in line with national and provincial governments' updated asset registers following the government-wide property management reforms.
- Many municipalities have been affected by recent floods and it is expected that the budget will make much needed funding available to areas where disasters have been declared.
- In the Medium Term Budget Policy Statement in October 2010, the Minister of Finance indicated that the functions of housing development and public transport regulation will be devolved to cities over the medium term. SALGA is expecting further pronouncements on those proposals as well as funding to assist the cities to be able to deliver on such mandates.