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1. What is "delivery"?

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Context:

Infrastructure, in the form of public buildings, roads, water and sewerage systems, electricity and other services, supports quality of life and is the foundation of a healthy economy ...

... if it is working.

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"Delivery" needs to be understood as embracing not just the construction of infrastructure but the operation and maintenance of that infrastructure throughout its intended life.

NIMS

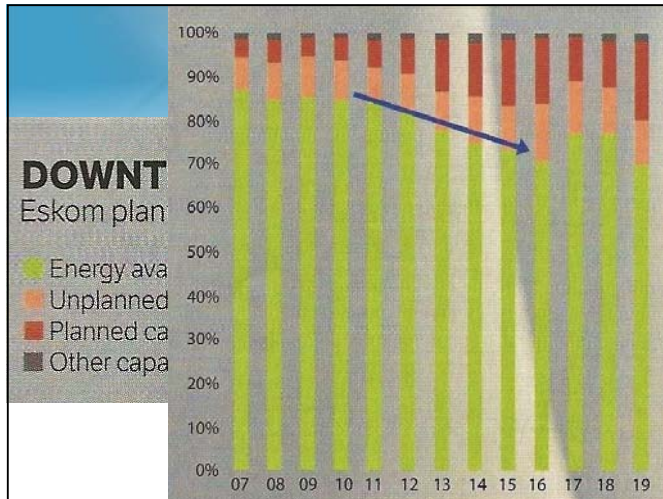
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2. What is the condition of SA's infrastructure?

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- https://www.engineeringnews.co.za/article/astral-foods-secures-emergency-water-arrangement-for-mpumalanga-facility-2019-06-24/rep_id:4136
- <https://infrastructurenews.co.za/2019/06/24/minister-calls-for-municipalities-to-prioritise-maintenance-of-water-and-sanitation-infrastructure/>
- https://www.engineeringnews.co.za/article/saica-points-to-cfos-lack-of-competencies-for-municipalities-financial-woes-2019-06-06/rep_id:4136
- <http://infrastructurenews.co.za/2019/05/02/citizens-trust-in-municipal-service-delivery-at-an-all-time-low-survey/>

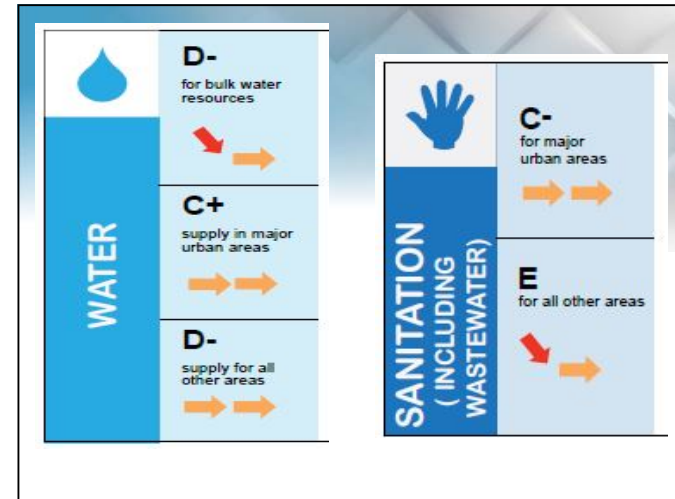
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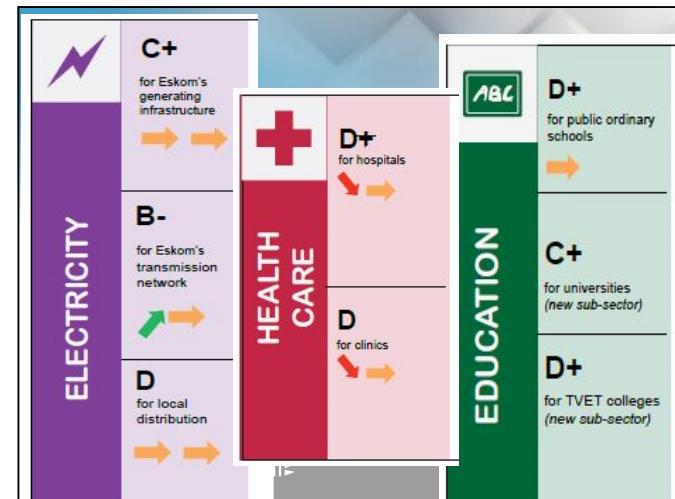
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3. How does infrastructure get to be "Good", "Bad" or "Ugly"?

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How does infrastructure get to be "ugly"?

- Poor operation. Or too little maintenance. Or both.
- Ageing infrastructure not replaced or refurbished -- hence a growing replacement need
- Maintenance backlog of existing infrastructure
- Why?

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Why?

- Too little O&M budget. And/or
- O&M budget during year got diverted to other things. And/or
- Staff insufficiently skilled. And/or
- Staff insufficiently motivated. And/or
- Wrong infrastructure (i.e. too complex, not robust, wrong process (e.g. in relation to local water types)), etc.

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What is required to ensure that the infrastructure is in "Good" condition and able to deliver the service reliably and safely?

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There are no quick fixes!

- **Essential:** that the right people and suitable institutions; that staff are sufficient in number, competent (training and experience) and committed (i.e. have correct attitude).
- **Essential:** the correct infrastructure, and knowledge of that infrastructure.
- **Essential:** sufficient budget (for repairs, for planned maintenance, for spares, for infrastructure refurbishment and renovation, etc).

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4. What M&R budget guidelines are there?

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	Provides figures for CRC-based budgeting guidelines?
BRB 1990	Yes - a global figure
CIDB 2009	Yes - in 12 categories
NIAMM (Public Works and CIDB) 2017	No (but refers to the guidelines in CIDB 2009)
ISO	No
IMESA 2011 and IPWEA	No
NT (IDMS) 2018	No (but refers to the guidelines in CIDB 2009)

Also OEM guidance, and your own records

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(Treasury 2014)



NATIONAL TREASURY

MFMA Circular No. 71

Municipal Finance Management Act No. 56 of 2003

Uniform Financial Ratios and Norms

The purpose of this Circular is to provide a set of uniform key financial ratios and norms suitable and applicable to municipalities and municipal entities. Section 216 (1)(c) of the

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- Circular 71 is an outlier in that it advocates budget guidelines based on "carrying value".
- "Good practice" (e.g. ISO): Entities should be able to base their maintenance and repair budget estimates on service delivery performance targets and on knowledge of the condition of and replacement cost of their infrastructure.

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s3 "Repairs and Maintenance as a % of Property, Plants and Equipment and Investment Property (Carrying Value)":

- "Purpose / Use of the Ratio
The Ratio measures the level of repairs and maintenance to ensure adequate maintenance to prevent breakdowns and interruptions to service delivery. Repairs and maintenance of municipal assets is required to ensure the continued provision of services.
- *Formula*
Total Repairs and Maintenance Expenditure / Property, Plant and Equipment and Investment Property (Carrying Value) x 100

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- *Norm*
"The norm is 8%."

Note:

The numerator is an operational expenditure figure, and the denominator is a valuation based on historic capital expenditure.

"Per annum" is implied.

Says "norm", not "minimum". But text (and subsequent NT interpretation) implies intention is "minimum".

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- Circular 71, by advocating budget guidelines based on carrying value, is an outlier.
- But we cannot dump it. For the vast majority of municipalities, it is the only measure of infrastructure we have which we can use to index the budget percentage against.

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Is it possible to find a relationship between carrying value and CRC?

- Based on small sample, CRC is between 7 and 10 times carrying value.
- If 8 times, then "8% of carrying value" is "1% of CRC".
- Average annual M&R budget as % of CRC recommended by BRB is 2-4%, and by CIDB (2009) is a range, dependent on the type of infrastructure, between 2% and 15%.
- And that is assuming no M&R backlog. If there is, the budget as a %age of carrying value should be higher.

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- If we say "budget on average 4% of CRC", then the "8% of carrying value" should be "32% of carrying value".

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- Given that many public entities, especially the less-capacitated municipalities, lack understanding of the extent and complexity of the infrastructure in their care (and, it must be said, even less understanding of the condition of that infrastructure), this Treasury "8%" guideline can be regarded as an essential first step to improved infrastructure asset management practice.

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5. What are SA municipalities spending on M&R?

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- If we say "on average 4% of CRC", then the "8% of carrying value" should be "32% of carrying value".
- But municipalities are on average spending less than 2%

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Spending on Repairs and Maintenance July 2017 - June 2018

1.55%

Spending on Repairs and Maintenance as a percentage of Property, Plant and Equipment.

- **More than double** the spending for [similar municipalities](#) in KwaZulu-Natal: 0.065%
- **More than** the spending for [similar municipalities](#) nationally: 0.0%

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Budget 20019/2020 FY: Metros



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Sample of municipalities	Actual spending (per "Mun Money")	
	2016/2017 FY	2017/2018 FY
In W Cape (a WSA)	2.7%	2.1%
In E Cape (not a WSA)	2.0%	1.4%
In E Cape (a WSA)	0.0%	0.0%
In KZN (a WSA)	0.0%	0.0%
In KZN (a WSA)	2.0%	1.6%
In F State (a WSA)	0.9%	0.7%
In Gauteng (a WSA)	0.0%	0.0%

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"Maintenance doesn't grab headlines, nor does it strike most people as even vaguely interesting, but an effective comprehensive maintenance programme, properly funded and led by skilled personnel, is the one thing that stands between reliable electricity supply and darkness."

President Ramaphosa, in reply to the debate on his State of the Nation address to Parliament, February 2019.