

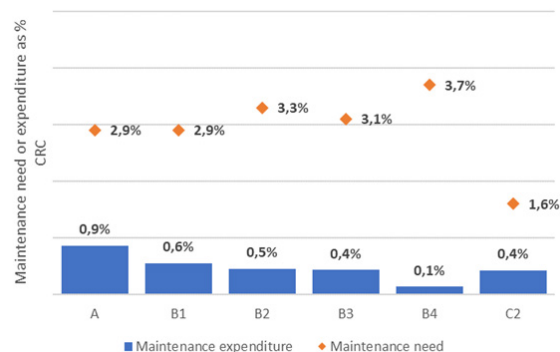
# Deferred Asset Maintenance in South African municipalities



The deferral of asset maintenance in South African municipalities is a chronic problem. It is well established that municipalities are underspending on maintenance, leaving them unable to deliver services due to declining asset condition which in turn results in an increase in future capital expenditure requirements. PDG was appointed by SALGA to investigate the extent to which municipalities are deferring asset maintenance on the infrastructure that they own and operate, and what interventions can be put in place to address this problem.

There were two phases to this project. The first phase was an analysis of maintenance need and expenditure at the national level, for all municipalities, broken down into municipal categories (A, B1, B2, B3, B4 and water service authority district municipalities, C2). The second phase was a series of case studies carried out across the municipal categories to identify the challenges municipalities are facing when budgeting for and implementing maintenance projects.

The first step when calculating maintenance deferral is to calculate the maintenance need. Many municipalities use the Circular 71 prescription of 8% of the book value of plant, property and equipment, but the asset management literature suggests that using a proportion of the capital replacement value is a more accurate representation of maintenance need. This project used both of these difference approaches to determine maintenance need. The research found that the capital replacement value approach is more accurate, but there is no substitute for an assessment on maintenance need conducted for an asset management plan.



The research found that municipalities are significantly underspending on maintenance, with rural local municipalities performing the worst, and metropolitan municipalities performing better, but still deferring maintenance expenditure. Interventions in the capacitation of municipal and elected staff, the improvement of data and information systems, and correct financial management and prioritisation of expenditure could yield reductions in maintenance deferral.

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## DAMS PROJECT:

**Project Profile:** Deferred Asset Maintenance in South African municipalities

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