



Reference: RCS/C.5

TREASURY CIRCULAR MUN NO 23/2016

THE MAYOR, CITY OF CAPE TOWN
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY
THE MAYOR, MATZIKAMA MUNICIPALITY
THE MAYOR, CEDERBERG MUNICIPALITY
THE MAYOR, BERGRIVIER MUNICIPALITY
THE MAYOR, SALDANHA BAY MUNICIPALITY
THE MAYOR, SWARTLAND MUNICIPALITY
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY
THE MAYOR, WITZENBERG MUNICIPALITY
THE MAYOR, DRAKENSTEIN MUNICIPALITY
THE MAYOR, STELLENBOSCH MUNICIPALITY
THE MAYOR, BREEDE VALLEY MUNICIPALIT
THE MAYOR, LANGEBERG MUNICIPALITY
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY
THE MAYOR, OVERSTRAND MUNICIPALITY
THE MAYOR, CAPE AGULHAS MUNICIPALITY
THE MAYOR, SWELLEN DAM MUNICIPALITY
THE MAYOR, EDEN DISTRICT MUNICIPALITY
THE MAYOR, KANNALAND MUNICIPALITY
THE MAYOR, HESSEQUA MUNICIPALITY
THE MAYOR, MOSSEL BAY MUNICIPALITY
THE MAYOR, GEORGE MUNICIPALITY
THE MAYOR, OUDTSHOORN MUNICIPALITY
THE MAYOR, BITOU MUNICIPALITY
THE MAYOR, KNYSNA MUNICIPALITY
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY
THE MAYOR, LAINGSBURG MUNICIPALITY
THE MAYOR, PRINCE ALBERT MUNICIPALITY
THE MAYOR, BEAUFORT WEST MUNICIPALITY

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM
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THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATTHYSE
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV H LINDE
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THE MUNICIPAL MANAGER, SWELLEN DAM MUNICIPALITY: MR CM AFRICA
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THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: MR H HILL (ACTING)

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THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR D FRIEDMAN (ACTING)
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR G EASTON
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR S JOOSTE
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THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR M WÜST
THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR R ONTONG (ACTING)
THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR B BROWN
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR J TESSELAAR
THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDE
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THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MR H SCHLEBUSCH
THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT MUNICIPALITY: MS L HOEK
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR N DELO
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR MK BOTHA
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR K JORDAAN
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR F LÖTTER (ACTING)
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR M MEMANI (ACTING)
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MS P GOBRIE
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THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING
THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR F SABBAT

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THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN)
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THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)
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THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MS S CUPIDO) (ACTING)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR Z ZONYANE) (ACTING)
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THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS R SLINGER)
THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)
THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)
THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MS R ESACK) (ACTING)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)

THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

DEBT MANAGEMENT OF THE NON-METRO MUNICIPALITIES

Purpose

1. This Circular intends to provide further communication and guidance to non-metro municipalities in the Western Cape on the process which needs to be followed when dealing with the ostensible debt owed to municipalities by provincial and national departments. The circular must be read in conjunction with Provincial Treasury letter, reference T12/4, dated 10 January 2012, which is also attached as Annexure A for your reference.

Legislative Requirements

2. MFMA Circular 21 dated 25 August 2005 clearly stipulates the steps that must be followed before requesting National Treasury to mediate a dispute of a financial nature. In terms of the prescribed steps, the financial dispute must, amongst others, first be referred to the Provincial Treasury which should attempt to settle the matter amicably through a process of negotiation. However, should no amicable solution be found, then the matter must be referred to the National Treasury for resolution in accordance with section 44 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).
3. It is noted in the steps that all parties must report the dispute to the National Treasury. The correspondence to National Treasury must clearly state that it is a report for noting as required in MFMA Circular 21 and not a request for mediation. The matter can only be referred to National Treasury for mediation or resolution as a last resort.
4. In addition, according to section 5(4) of the MFMA, the Provincial Treasury is mandated to assist, guide, monitor and enforce compliance to the said Act. In relation to the above, Provincial Treasury is delegated to provide support to the municipalities in the Western Cape.
5. The facilitation and monitoring of outstanding government debt between respective spheres of government by Provincial Treasury aims to find resolutions and payments of arrear debt related to the property rates and municipal service charges, ensuring overall reduction thereof.

Challenges on reporting

6. In addition to previous communication, there have been improvements in reduction of outstanding government debt, but it has been noted that municipalities still have challenges in terms of arrears on accounts which are mainly due to disputes, accounts of shared properties for government departments and private businesses, outstanding information or either incorrect billing or inappropriate payment allocations by municipalities.
7. In relation to the above challenges, Provincial Treasury has noted that there are still challenges with reporting requirements experienced by municipalities. Therefore it, is imperative that the current process, as set out below, should be adhered to by each municipality in order to improve the credibility of information and improve reporting to relevant departments responsible for timeous payment of property rates and service charges.

Current Process

8. In order to ensure consistency in reporting of the government debt schedules by all the non-metro municipalities and to enhance efficiency, Provincial Treasury updated the government debt schedule template to correspond/balance with the total debt as reported in the Section 71 AD return.
9. The amendment to the debt schedule template (Annexure B) is an additional “**sundry sheet**” to which all other debt for organs of state, which is not linked to the property rates and municipal service charges accounts of different sector departments should be reported.
10. Note that with the revised government debt schedule template, Provincial Treasury is only working on the property rates and municipal service charges accounts of sector departments, whereby the sector departments will be requested to provide feedback on these accounts which are in arrears and resolution of accounts for payment.

The completed government debt schedule template needs to be submitted to the Provincial Treasury on a monthly basis, by the **5th working day of the following month**, to the MFMA.MFMA@westerncape.gov.za e-mail address, with the following heading which should be included in the subject line of the e-mail:

Month_Debt Template_Municipality Name

11. It is imperative for municipalities to complete the column “**municipal comments**” within the government debt schedule template, for debt that is in the 60 days and over category, as this will adversely affect the effectiveness of feedback received by the sector departments for payment on accounts.

12. In order for the sector departments to give effective feedback, municipalities should ensure that the “**erf**” and “**account number**” columns are correctly completed.
13. The municipalities are required to complete the “**payment received during the month**” column with the total amount received during that specific month in relation to property rates and municipal service charges accounts. This will allow the reconciliation of the payment and receipting process regularly between municipalities and the sector departments.
14. The feedback received by Provincial Treasury from the sector departments will be communicated back to the municipalities on a monthly basis and the municipalities are requested to incorporate the feedback on the government debt schedules.

Way forward

15. Provincial Treasury will continue to maintain the facilitation role between the sector departments and municipalities in order to resolve the disputes between the parties that may affect the timely payment of arrear municipal accounts.
16. Municipalities must continue with the submission of disputes to the Provincial Treasury to assist in finding solutions.
17. One-on-one engagements “**interventionist approach**” will be requested with the municipalities that have the largest debt balances and will be facilitated by Provincial Treasury in order to ascertain the root causes and assist in finding resolutions to gradually reduce the outstanding government debt.

Conclusion

18. Any further information with regard to government debt management process going forward can be forwarded to:

Mrs Elizabeth Wenn
Elizabeth.wenn@westerncape.gov.za
Tel: (021) 483 4540
Fax: (021) 483 4411

and

Mr Siphamandla Bhaza
Siphamandla.Bhaza@westerncape.gov.za
Tel: (021) 483 8829
Fax: (021) 483 4411

19. Your co-operation in this regard will be appreciated.

A handwritten signature in black ink, appearing to read 'Zonyane', with a large, stylized flourish above the name.

MR Z ZONYANE

(ACTING) DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP 2)

DATE: 29 August 2016