



# PROVINCIAL TREASURY

Provincial Government of the Western Cape

## LOCAL GOVERNMENT FINANCE

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**REFERENCE:** T12/4

**ENQUIRIES:** Ms N van Wyk

### TREASURY CIRCULAR MUN 12 OF 2011

THE MAYOR, CITY OF CAPE TOWN: MR D PLATO  
THE MAYOR, WEST COAST DISTRICT: MRS H KITSHOFF  
THE MAYOR, MATZIKAMA MUNICIPALITY: MR P BOK  
THE MAYOR, CEDERBERG MUNICIPALITY: MS J MOUTON  
THE MAYOR, BERGRIVIER MUNICIPALITY: MR J LIEBENBERG  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR J SKEI  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
THE MAYOR, CAPE WINELANDS DISTRICT: MR B CHABAAN  
THE MAYOR, WITZENBERG MUNICIPALITY: MS M GILDENHUYIS  
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS C MANUEL  
THE MAYOR, STELLENBOSCH MUNICIPALITY: ALDERMAN PM SWARTZ  
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR C NTSOMI  
THE MAYOR, BREEDE RIVER/WINELANDS MUNICIPALITY: MR SJ NGONYAMA  
THE MAYOR, OVERBERG DISTRICT: MS E MARTHINUS  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR C PUNT  
THE MAYOR, OVERSTRAND MUNICIPALITY: MR T BEYLEVELDT  
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR R MITCHELL  
THE MAYOR, SWELLENBAM MUNICIPALITY: MR J JANSEN  
THE MAYOR, EDEN DISTRICT: MR F STEMNET  
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN  
THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE  
THE MAYOR, MOSSEL BAY MUNICIPALITY: ALDERLADY M FERREIRA  
THE MAYOR, GEORGE MUNICIPALITY: MR B PETRUS  
THE MAYOR, OUDTSHOORN MUNICIPALITY: MS D DE JAGER  
THE MAYOR, BITOU MUNICIPALITY: MR LL MVIMBI  
THE MAYOR, KNYSNA MUNICIPALITY: MS E BOUW-SPIES  
THE MAYOR, CENTRAL KAROO DISTRICT: Ms D HUGO  
THE MAYOR, LAINGSBURG MUNICIPALITY: MS R MEYER  
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MR A PIENAAR  
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MS J VAN WYK

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM  
THE MUNICIPAL MANAGER, WEST COAST DISTRICT: MR H PRINS  
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR DG O'NEILL  
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATHYSE  
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: MS C LE ROUX  
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR J FORTUIN  
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ  
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT: MR M MGAJO  
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON  
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR S KABANYANE  
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MR D DANIELS  
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR A PAULSE  
THE MUNICIPAL MANAGER, BREEDE RIVER/WINELANDS: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT: MR R BUTLER (ACTING)  
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HSD WALLACE  
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: ADV W ZYBRANDT  
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR R STEPHENS  
THE MUNICIPAL MANAGER, SWELLENBAM MUNICIPALITY: MR M STEENKAMP (ACTING)  
THE MUNICIPAL MANAGER, EDEN DISTRICT: MR M HOOGBAARD (ACTING)  
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR M HOOGBAARD (ACTING)  
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS  
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: DR M GRATZ  
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA (ACTING)  
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR N PIETERSEN  
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR L NGOQO  
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR J DOUGLAS  
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT: MR S JOOSTE (ACTING)  
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS  
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR P OLIPHANT (ACTING)  
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN  
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THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT: MR J KOEKEMOER  
 THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR LJ BRUWER  
 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR F LÖTTER  
 THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR JA VAN NIEKERK  
 THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR J VAN COLLER (ACTING)  
 THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR K COOPER  
 THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT: MR JG MARAIS  
 THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR R ESAU  
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 THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR M BOLTON  
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 THE CHIEF FINANCIAL OFFICER, BREEDE RIVER/WINELANDS: MR CF HOFFMANN  
 THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT: MR R BUTLER (ACTING)  
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 THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MR H KLEINLOOG  
 THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H SCHLEBUSCH  
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 THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT: MR NB DELO  
 THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR NB DELO (ACTING)  
 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN  
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR HF BOTHA  
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: DR C KAPP (ACTING)  
 THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR K JORDAAN  
 THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR D LOTT  
 THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR G EASTON  
 THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT: MR CJ KYMDELL  
 THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD  
 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING (ACTING)  
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR A STRUMPHER (ACTING)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE)  
 THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
 THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
 THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)  
 THE HEAD: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)  
 THE CHIEF FINANCIAL OFFICER (MR A GILDENHUY)  
 THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR N VAN NIEKERK) (ACTING)  
 THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MR A REDDY) (PRO-TEM)  
 THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)  
 THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)  
 THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)  
 THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)  
 THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)  
 THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)  
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

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

## **DEBT MANAGEMENT OF THE NON-METRO MUNICIPALITIES**

### **PURPOSE**

1. This circular serves to inform municipalities in terms of the progress made with regard to the management of the ostensible debt owed to non metro municipalities' by provincial and national departments. Furthermore, it also advises municipalities with regard to the way forward in terms of process to be followed regarding the municipal debt and how it will be facilitated and managed in order to ensure the overall reduction in government debt.

## LEGISLATIVE REQUIREMENTS

2. In terms of section 44(1) and (2) of the Municipal Finance Management Act, No. 56 of 2003, (MFMA), whenever a dispute of a financial nature arises between organs of state, the parties concerned must as promptly as possible take all reasonable steps that may be necessary to resolve the matter out of court. If the National Treasury is not a party to the dispute, the parties, (a) must report the matter to the National Treasury and (b) may request the National Treasury to mediate between the parties or to designate a person to mediate between them. In addition, in terms of section 64(1) and (2) of the MFMA, the accounting officer should ensure that adequate measures and controls are put in place to manage all debtors so that the municipality is able to report on the outstanding debt should payment not be received in excess of 30 days as noted in sub-section (3).

## BACKGROUND

3. In addition, the MFMA circular 21 dated 25 August 2005, clearly sets out steps to 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 who 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. The Provincial Treasury has in this regard issued prior circulars and engaged on the matter through the IGR forums with regard to the debt process whereby municipalities were requested to submit their debt information inclusive of key information such as account number, erf no, responsible department, aging of debt, etc. It was further highlighted that provincial and national departments require this information in order to ascertain which sector department is responsible for the payment of either rates or service charges. In addition, it was highlighted that the role of the PT is to facilitate the debt process between the respective spheres of government and that municipalities have the responsibility to engage with the respective departments for resolution and payment of accounts.
4. The Provincial Treasury has maintained the ongoing facilitation role between the respective departments and municipalities in order to address the matter of arrear debt related to the rates and service charges accounts. Some municipalities have initially indicated that they do not need assistance through the debt management process of the non-metro municipalities as they have good relationships with the respective departments who pay their accounts on time but this has since changed as we have seen an increase in number of Municipalities requesting assistance. Generally these municipalities have challenges in the payment of accounts as some departments provide no feedback to them in light of numerous submissions of accounts and written correspondence to them. Some of the challenges appear to be that the debtor information of municipalities is not correct where accounts are sent to the wrong department or incorrect person. Similarly, some departments also don't have a comprehensive database of accounts which is their responsibility for payment and hence do not respond to municipalities who claim arrear debt for payment.

## CURRENT OVERVIEW

5. In the City Debt Meeting held on 26 October 2010, due to successes of City Debt initiatives a decision was taken to implement the same process to the non-metro municipalities where the debt would be elevated to all the HODs and MECs of the respective departments. This process requires that the status of the debt per municipality be reported to the above-mentioned administrative and political office bearers on a monthly basis. Subsequent to this decision, the Provincial Treasury had communicated this to municipalities and followed up on outstanding accounts especially for those municipalities who previously provided no details in terms of their debt.
6. During the second quarter of the 2010/11 municipal financial year, extensive interaction took place with municipalities in order to ensure the submission of arrear accounts. Consequently, a debt template was developed where municipalities were required to capture all their respective debt information which included the erf no, account no, institution name, aging of debt as well as the type of service charge. This was needed in order to ensure consistency in reporting by all municipalities as well as to enhance efficiency within the facilitation of the debt by the Provincial Treasury.
7. From the process above there are some challenges being experienced as municipalities are not fully complying with the reporting requirements of their debt. These challenges include specifying no Erf Nos, service type, aging of debt, as well as not splitting the accounts per national and provincial departments.

## THE WAY FORWARD

8. The debt template (Annexure A) has been revised in terms of the aging of the debt and now reflects only two categories i.e. Current debt (0-60 days) as well as arrear debt in the categories of 60+ days. The focus of the debt management process will be on the latter category. The updated debt template needs to be submitted to the Provincial Treasury on a monthly basis (by the second working day of the new month) whereby sector departments will be requested to provide feedback in terms of their investigative process and resolution of accounts for payment.
9. The debt template is to be submitted to the [mfima@pgwc.gov.za](mailto:mfima@pgwc.gov.za) e-mail address by the close of business on the second working day of the new month. The following heading needs to be included in the subject line of the e-mail:  
  
**Month\_Debt Template\_Municipality Name**
10. One-on-one engagements will take place, on a district by district basis. The first interaction will be with the municipalities within the Cape Winelands District taking into account those with the largest debt balances where these municipalities will also be requested to host the sessions. The interaction within the above-mentioned District, will include Stellenbosch, Witzenberg, Drakenstein and other Municipalities where the relevant sector departments will also be represented.

11. Municipalities are requested to ensure that all municipal accounts which include both rates and services respectively are split by 1 July 2011 to facilitate the payment of rates and service charges by the respective departments. In terms of responsibility, the Department of Transport and Public Works is responsible for rates of all provincial properties while the service charges are the responsibility of the user department.
12. Municipalities are furthermore requested to provide the name and contact details of the person/s responsible for government accounts. These details should be forwarded to the [mfma@pgwc.gov.za](mailto:mfma@pgwc.gov.za) e-mail address by close of business on Friday, 11 March 2011.

## CONCLUSION

13. Any further information with regard to debt management in terms of the process going forward can be forwarded to:

Nicky van Wyk  
[nivanwyk@pgwc.gov.za](mailto:nivanwyk@pgwc.gov.za)  
Tel: (021) 483 8668  
Fax: (021) 483 7666

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

Yours faithfully



**MR M SIGABI**  
**SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP 2)**  
**DATE: 3 March 2011**

CC:

Mr D Gardener (Department of Transport and Public Works)  
Ms Z Mtshaza-Madyira (Department of National Public Works)  
Mr P Pappetta (Department of Health)  
Mr L Ely (Department of Education)  
Ms I van Niekerk (Department of Education)



# PROVINCIAL TREASURY

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## LOCAL GOVERNMENT FINANCE

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 www.capecapegateway.gov.za

**REFERENCE:** T12/4  
**ENQUIRIES:** Ms N van Wyk

## ANNEXURE A

XXXXXX Municipality for the month ended xxxxxxxxxxxxxxxxxxxxxx														
Responsible Department	Erf No	Account Number	Property Description					Aging of Debt			Municipal Charges		Municipal Comments	Department Feedback/ Comments
			Property/Account Name	Institution Name	Property/Account Address	Tenant details (if applicable)	Tenant Contact Details (if applicable)	Current 0 - 60 Days	Arrear 60 Days +	Total	Service Type			
											Service Charges	Rates		
NPW														
NPW														
NPW														
NPW														
NPW														
NPW														

**Disclaimer:**  
 This template to be completed by the Municipality  
 Separate sheets per national/provincial government  
 The Focus area of accounts will be on debt older than 60 days

**PROVINCIAL CONTACT DETAILS**

PROVINCIAL DEPARTMENT	ADDRESS		CONTACT PERSONS				
	PHYSICAL	POSTAL	Areas of Responsibility	NAME	TELEPHONE NO.	FAX NO.	E-MAIL ADDRESS
PROVINCIAL TREASURY	Wale Street 7 Legislature Building Room 3-21 Cape Town 8000	Provincial Treasury	All	Nicollete Van Wyk	021 483 8668	021 483 7666	<a href="mailto:nivanwyk@pgwc.gov.za">nivanwyk@pgwc.gov.za</a>
		Private Bag X9165	Eden District	Isaac Mckenzie	021 483 3683	021 483 7617	<a href="mailto:imckenzie@pgwc.gov.za">imckenzie@pgwc.gov.za</a>
		Cape Town	Cape Winelands & Central Karoo District	Gakeema Abrahams	021 483 4409	021 483 7312	<a href="mailto:gaabrahams@pgwc.gov.za">gaabrahams@pgwc.gov.za</a>
		8000	West Coast & Overberg District	Nokutula Pumane	021 483 4034		<a href="mailto:npumane@pgwc.gov.za">npumane@pgwc.gov.za</a>
EDUCATION	c/o Lower Plein and Darling Street Grand Central Towers Cape Town 8000	Private Bag X9114 Cape Town 8000	All	Nicole Van Wyk	021 467 2608	086 549 2194	<a href="mailto:nicovanw@pgwc.gov.za">nicovanw@pgwc.gov.za</a>
			Metro & All	Ilse van Niekerk	021 467 2181	086 549 2194	<a href="mailto:lniekerk@pgwc.gov.za">lniekerk@pgwc.gov.za</a>
HEALTH	Room 21-02 21st Floor Tower Block Cape Town 8000	PO BOX 2060 Cape Town 8000	All	Pakisa Pepetta	021 483 4292	021 483 8576	<a href="mailto:pakisa.pepetta@pgwc.gov.za">pakisa.pepetta@pgwc.gov.za</a>
NATIONAL PUBLIC WORKS	Customs House Heerengracht Roggebay Foreshore Cape Town 8000	Private Bag X9027 Cape Town 8000	All	Zikhona Mtshza-Madyira	021 402 2069	021 402 2163	<a href="mailto:mtshaza.madyira@dpw.gov.za">mtshaza.madyira@dpw.gov.za</a>
TRANSPORT AND PUBLIC WORKS	No 9 Dorp Street 4th Floor Cape Town 8000	Private Bag X9160 Cape Town 8000	All	Deon Gardener	021 483 9300	021 483 8988	<a href="mailto:dgardene@pgwc.gov.za">dgardene@pgwc.gov.za</a>
				Mthunzi Kibido	021 483 4883	021 483 8988	<a href="mailto:mkibido@pgwc.gov.za">mkibido@pgwc.gov.za</a>
				Neliswa Fusa	021 483 8568	021 483 8988	<a href="mailto:nfusa@pgwc.gov.za">nfusa@pgwc.gov.za</a>
				Shiehaam Noordien	021 483 6639	021 483 8988	<a href="mailto:snoordien@pgwc.gov.a">snoordien@pgwc.gov.a</a> <a href="mailto:snoordien@pgwc.gov.za">snoordien@pgwc.gov.za</a>
HOUSING	Dept of Human Settlements Private Bag X9083 Cape Town 8000	Private Bag X9083 Cape Town 8000	All	Rusheen Michaels	021 483 3318	021 483 5023	<a href="mailto:rusheen.michaels@pgwc.gov.za">rusheen.michaels@pgwc.gov.za</a>
			All	Donald Lockett	021 483 4505	021 483 5023	<a href="mailto:Donald.Lockett@pgwc.gov.za">Donald.Lockett@pgwc.gov.za</a>