



# PROVINCIAL TREASURY

Provincial Government of the Western Cape

## DRAFT MINUTES OF THE MUNICIPAL CHIEF FINANCIAL OFFICER'S FORUM HELD ON 4 MARCH 2011, COUNCIL CHAMBERS STELLENBOSCH MUNICIPALITY, STELLENBOSCH

### 1. OPENING AND WELCOMING

The Chairperson, Mr G Pause opened the meeting and welcomed everyone.

### 2. ATTENDANCE AS PER ATTENDANCE REGISTER

ORGANISATION	NAME
Overstrand Municipality	Mr C Le Roux
Overstrand Municipality	Ms E Hooneberg
City of Cape Town	Mr J Steyl
Laingsburg Municipality	Ms A Groenewald
Theewaterskloof Municipality	Mr S Jacobs
West Coast District Municipality	Mr P April
Beaufort West Municipality	Mr A Strumpher
Prince Albert Municipality	Mr J Neethling
Drakenstein Municipality	Ms K Fredericks
Drakenstein Municipality	Mr V Crail
Central Karoo District Municipality	Mr C Kymdell
Cape Agulhas Municipality	Mr H Schlebusch
Swellendam Municipality	Mr J Krapohl
Hessequa Municipality	Mr W Joseph
Hessequa Municipality	Mr F Bergh
Cape Winelands District Municipality	Ms F Du Raan- Groenewald
Eden District Municipality	Mr T Mpuru
Kannaland Municipality	Mr T Mpuru (pro-tem)
Stellenbosch Municipality	Mr M Bolton
Breede Valley Municipality	Mr D McThomas
Breede Valley Municipality	Mr S Roets
Laingsburg Municipality	Mr P Hoffmann
Witzenberg Municipality	Mr C Kritzinger
Saldanha Bay Municipality	Mr J van Coller
Bergrivier Municipality	Mr K van Niekerk

<b>ORGANISATION</b>	<b>NAME</b>
Oudtshoorn Municipality	Mr K Jordaan
Department of Education	Mr L Ely
Department of Public Works	Mr D Gardener
National Department of Public Works	Ms E Wessels
National Department of Public Works	Ms Z Mdhaza- Madyira
Department of Local Government	Mr G Paulse
Department of Local Government	Ms E Barnard
Department of Local Government	Mr D Nolan
Department of Local Government	Mr M Abrahams
Department of Local Government	Mr P Mbaliswana
Western Cape Provincial Treasury – Local Government Budget Management	Mr M Booysen
Western Cape Provincial Treasury – LG Accounting Services	Mr T Madondile
Western Cape Provincial Treasury – Fiscal and Economic Services Branch	Mr H Maliila
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Mr F Sabbat
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Mr E Johannes
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Ms S Cupido
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Mr B Berends
Western Cape Provincial Treasury - Local Government Finance (Group 1)	Ms A October
Western Cape Provincial Treasury - Local Government Finance (Group 2)	Mr M Sigabi
Western Cape Provincial Treasury - Local Government Finance (Group 2)	Ms N van Wyk
Western Cape Provincial Treasury - Local Government Finance (Group 2)	Mr Z Zonyane
Western Cape Provincial Treasury - Corporate Governance	Ms M van Niekerk
IMFO	Mr G van Schalkwyk
DBSA	Mr S Chandaka

## **2.1 Apologies**

Knysna Municipality	-	Mr G Easton
George Municipality	-	Dr C Kapp
Mossel Bay Municipality	-	Mr H Botha
Bitou Municipality	-	Mr D Lott
Witzenberg Municipality	-	Mr R Esau
Kannaland and Eden District Municipality	-	Mr N Delo

## **3. SETTING/APPROVAL OF AGENDA**

No items were added to the agenda.

**4. CONSIDERATION OF MINUTES**

The minutes of the previous meeting held on 6 & 7 December 2010 was accepted as a true reflection of the discussions which took place.

**5. MATTERS ARISING**

It was noted that all matters arising are addressed as agenda items.

## 6. TOPICS FOR DISCUSSION

Item No.	Topic	Discussion	Action required	Due Date
6.1.1	Implementation of new upper limits – Councillor Remuneration	<p>Mr S Jacobs presented a document in respect of the process around the implementation of new upper limits. According to Mr. Jacobs the process is too long, there is too much red tape involved and the councilors become impatient. Mr. Jacobs therefore requests that the process be reviewed since it should not take that long as legislation decides and guides.</p> <p>The chairperson explained to the meeting how the process is currently being done and that possible delays should be anticipated. However, the floor was open to any suggestions</p>	<p>The chairperson requested Mr F Sabbat and Mr M Sigabi to review the current process in respect of councillor's remuneration and to implement timeframes. The whole process should not take longer than two weeks. This process will be reviewed and a process plan will be discussed at the next CFO forum.</p>	Next CFO Forum meeting
6.1.2	Progress on outstanding government debt owed to non-metro municipalities	<p>As an introduction Ms N van Wyk presented to members of the CFO forum an overview of the debt owed to non metro municipalities and also the current processes that are in place in terms of the quarterly, monthly and weekly meetings that are taking place.</p> <p>Ms Van Wyk further informed the meeting of a debt template that has been developed and is being used to report at ministerial meetings. The template will also ensure standardized reporting across all municipalities.</p> <p>A circular has been sent to all municipalities explaining the above in detail.</p>	<p>All municipalities to provide name and contact details of contact person for debt queries to Provincial Treasury.</p> <p>List of payments made by Department of Public Works to be provided to each municipality by Mr Gardener.</p> <p>Debt template to be completed by all municipalities in the standardized format.</p> <p>Municipalities to split accounts in terms of rates and service charges as from 1 July 2011.</p> <p>Ms Van Wyk and Mr Sigabi to finalise timeframes for one on one visits with the districts and to communicate well in advance of intention to visit.</p>	Ongoing
	National Public Works – Mrs Z Madyira	<p>Ms Madyira provided the meeting with statistics on outstanding debt. Further to this, the Department of National Public Works in an engagement with Provincial Treasury agreed to visit all municipalities in conjunction with the other</p>		

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	<p>Provincial Public Works – Mr D Gardener</p> <p>Education – Mr L Ely</p>	<p>departments.</p> <p>Mr Gardener gave an overview in terms of the expenditure incurred for rates and that an amount of R265 million has been expended for property rates.</p> <p>Mr Gardener also shared with members of the forum some challenges experienced but has agreed to work in conjunction with Provincial Treasury on the one on one engagements and to pledge the department's full commitment in respect of this matter.</p> <p>Mr Ely presented to the meeting the overall structure of the department and how payments are currently being done to schools so that these accounts can be paid. The way forward will be to engage with the districts and to assist with the one on one engagements.</p>		
6.1.3	2011 Government Allocations Local	<p>Mr Zonyane presented to the members of the CFO Forum the 2011 local government allocations and also explained reasons for decreases.</p> <p>Furthermore it was established that these are the final allocations to be included of the draft budgets of the municipalities.</p> <p>Mr Stephen Jacobs (Theewaterskloof Municipality) raised a question as to why the national equitable share was reduced and that a letter has been sent to National Treasury but no response has been received yet.</p> <p>Mr Johan Steyl expressed similar concerns and further wants this matter to be resolved as a matter of urgency before adopting the new budget.</p>	The chairperson suggests that this matter be centralized and that Provincial Treasury should facilitate by getting National Treasury to explain the reasons for the deviations in terms of the equitable share.	Immediately
6.1.4	Latent Revenue Project	<p>Presentation done by Ms E Barnard highlighting the current project the Department of Local Government is involved in where Cederberg Municipality is used as the pilot municipality.</p> <p>This project can assist municipalities with accurate recording of water losses. The three exception reports that can be created are:</p> <ul style="list-style-type: none"> <li>o Meters with no reading</li> <li>o Unusual Spikes</li> </ul>	Any municipality that wishes to take part in the project should please contact Ms E Barnard	Ongoing

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6.1.5	Municipal Budget and Reporting regulations: Treatment of Indirect charges : (As resolved at the LG MTEC 2 engagement on 10 February 2011)	<ul style="list-style-type: none"> <li>o Total water lost</li> </ul> <p>Mr E Johannes apologized on behalf of National Treasury for not being able to attend this meeting. Further to the discussions that took place at the LGMTEC2 engagement regarding the treatment of indirect charges, National Treasury is busy reviewing the accounting and the budget framework.</p>	A formal communication will be sent by National Treasury before the nest CFO Forum meeting regarding this matter.	Next CFO Forum Meeting
6.1.6	The challenges with General Valuations in respect of the Municipal Property Rates Act (As resolved at the previous CFO Forum meeting)	<p>Mr G van Schalkwyk presented to the forum challenges with General Valuations in respect of the Municipal Property Rates Act and highlighted matters such as :</p> <ul style="list-style-type: none"> <li>o Valuation risks</li> <li>o Impact on residents</li> <li>o Possible amendments to the MPRA.</li> </ul>	None	
6.1.7	Feedback on DBSA Siyenza Manje Programme	<p>Mr S Chandaka shared with the forum the DBSA programme and amendments proposed to the programme which amongst others included Financial Experts will be reporting to National and Provincial Treasuries and Engineering personnel will be reporting to DCOG.</p> <p>In this regard, municipalities who wishes to absorb the Young professionals are requested to contact the Development Bank of Southern Africa.</p>	Programme in its current format ends 31 March 2011. Mr Chandaka will keep all relevant roleplayers updated with regards to new developments.	
6.2	<b>Feedback on Local Government activities within Provincial Treasury</b>			
6.2.1	Municipal IYM Outcomes as at 31 January 2011 (including IYM Compliance matters and challenges)	<p>Mr F Sabbat presented to members of the CFO Forum the Municipal IYM Outcomes as at 31 January 2011, highlighting financial performance of municipalities for the various districts as well as the outstanding debtors and creditors per district.</p> <p>Mr Sabbat thanked all CFO's for compliance in terms of timeframes.</p> <p>Mr Sabbat also highlighted that the municipalities to please complete and submit quality certificates.</p>	<p>The chairperson shared with the forum that there are various reasons for this low expenditure.</p> <p>This matter can only be addressed with one on one visits to municipalities.</p>	

Item No.	Topic	Discussion	Action required	Due Date
6.2.2	Corporate Governance Risk management Minimum Competency Regulations LG FMIP	<p>The following concerns were highlighted:</p> <ul style="list-style-type: none"> <li>-Low capital expenditure</li> <li>-Water and electricity biggest items under debtors</li> <li>- Creditors contravention of the MFMA a problem.</li> </ul> <p>Mr M Sigabi raised a concern regarding this low capital expenditure to date and asks if this is not a concern.</p> <p>Ms M van Niekerk presented to the forum current initiatives this unit is involved in covering amongst others:</p> <ul style="list-style-type: none"> <li>-Assurance functions</li> <li>-Local Government Financial Management Improvement Programme.</li> <li>- Minimum Competency Regulations</li> </ul>	Municipalities expressed concern regarding the limited progress and feedback pertaining to questions raised on the Minimum Competency Regulations. In this regard, the Provincial Treasury was tasked to write an urgent letter highlighting all outstanding issues to the National Accountant General and provide feedback at the next CFO Forum meeting.	Next CFO Forum Meeting
6.2.3	LG Accounting Services: MFMA Audit GRAP outcomes GRAP Implementation	<p>Presentation by Mr T Madondile highlighting audit outcomes, transitional provisions and GRAP standards update.</p> <p>It was noted that Training on the Grap Standards will be provided in July 2011.</p>	None	
6.2.4	Fiscal Policy Services & Liability Management	<p>Ms C Horton introduced to the forum this unit and what it will be mainly responsible for.</p> <p>On an earlier question regarding the decline in national equitable share it was further clarified whether this unit will be dealing with issues like this.</p> <p>Mr Harry Malila advised that budget management (Mr Malcolm Booysen) to do an analysis as to why decline in share and to arrange a workshop with National Treasury to go through the detail.</p>	<p>Mr Malila to arrange meeting with all stakeholders involved to address this issue pertaining to the decline in the Equitable Share Allocations.</p> <p>In this regard a 2-3 hour workshop on the Equitable Share calculation with the colleagues from National Treasury was proposed.</p>	As soon as possible

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6.2.5	Local Government Budget Man	<p>Mr Malila also mentioned that SALGA should come across more strongly in this regard.</p> <p>Mr M Booyesen presented to the forum the role of this unit and Performance Management training interventions that occurred in the past three months.</p> <p>Key issues highlighted included a legislative amendment in respect of the request by AGSA to have the annual report available by 31 October annually. In addition, it was noted that there will be a phased-in approach expressing audit opinions on non-financial/performance information relative to the capacity of the municipality.</p>	None	

## 7. CLOSURE

The Chairperson, Mr G Pause, thanked all present for attending the meeting and encouraged municipalities to be interactive and to give input and feedback on any MFMA related matters.

The meeting adjourned at 13:30.