



**Western Cape
Government**

Provincial Treasury

Outstanding Government Debt owed to municipalities

5 March 2012

Overall debt owed to Municipalities

Amounts in R'000	TOTAL OUTSTANDING DEBTORS / ACCOUNTS RECEIVABLE - 31 JANUARY 2011 - PER DISTRICT													
	Outstanding Total					Monthly Outstanding Totals								Prior Year
District	0-30 days	31 - 60 days	61 - 90 days	over 90 days	Total	Jan'12	Dec'11	Nov'11	Oct'11	Sept'11	Aug'11	Jul'11	Jun'11	Jan'11
City of Cape Town	1,305,436	213,012	188,826	4,416,171	6,123,445	6,123,445	5,891,164	5,778,103	5,891,459	5,887,551	5,842,506	5,890,935	5,761,346	5,613,700
Cape Winelands	173,719	25,146	17,161	382,457	598,483	598,483	585,740	583,355	589,897	607,219	662,398	683,228	516,119	603,599
Central Karoo	8,190	2,724	2,343	39,496	52,753	52,753	52,820	53,024	51,561	53,598	55,656	55,443	45,339	58,521
Eden	136,058	29,696	19,570	355,285	540,609	540,609	527,164	448,456	460,691	561,637	633,121	605,691	466,195	482,045
Overberg	71,604	10,295	4,448	170,333	256,680	256,680	249,525	253,484	259,540	269,056	274,601	272,202	231,475	215,180
West Coast	102,932	19,557	11,543	174,884	308,916	308,916	313,570	303,264	289,040	305,399	318,329	318,823	255,657	268,791
Total	1,797,939	300,430	243,891	5,538,626	7,880,886	7,880,886	7,619,983	7,419,686	7,542,188	7,684,460	7,786,611	7,826,322	7,276,131	7,241,836
Change in month-on-month totals						260,903	200,297	-122,502	-142,272	-102,151	-39,711	550,191	34,295	639,050
% change in month-on-month totals						3.3%	2.6%	-1.7%	-1.9%	-1.3%	-0.5%	7.0%	0.5%	8.8%
	0-30 days	30 days+	61 - 90 days	over 90 days	Total	Jan'12	Dec'11	Nov'11	Oct'11	Sept'11	Aug'11	Jul'11	Jun'11	Jan'11
Water	542,452	130,815	128,066	2,962,016	3,763,349	3,763,349	3,653,749	3,579,768	3,556,022	3,569,394	3,536,578	3,460,014	3,404,875	3,370,706
Electricity	697,508	53,286	33,048	269,869	1,053,711	1,053,711	1,033,340	1,004,970	1,044,199	1,097,352	1,078,648	1,021,974	968,103	969,075
Property Rates	462,146	90,898	80,267	1,389,394	2,022,705	2,022,705	2,006,169	1,952,421	2,056,309	2,105,824	2,153,553	2,219,009	1,889,854	1,938,326
RSC Levies	-	-	-	-	-	-	446,702	-	-	-	-	-	-	-
Other	95,833	25,431	2,510	917,347	1,041,121	1,041,121	480,023	882,528	885,657	911,890	1,017,831	1,125,324	1,013,299	963,728
Total	1,797,939	300,430	243,891	5,538,626	7,880,886	7,880,886	7,880,886	7,419,686	7,542,187	7,684,460	7,786,610	7,826,321	7,276,131	7,241,835
Debtors per customer group														
	0-30 days	30 days+	61 - 90 days	over 90 days	Total	Jan'12	Dec'11	Nov'11	Oct'11	Sept'11	Aug'11	Jul'11	Jun'11	Jan'11
Government	38,066	13,895	2,668	82,045	136,674	136,674	107,278	108,514	135,457	140,707	231,760	305,877	206,158	213,969
Business	818,260	93,180	64,410	606,790	1,582,640	1,582,640	1,556,324	1,517,129	1,451,886	1,405,951	1,430,413	1,410,798	1,265,993	1,365,328
Households	917,322	201,712	177,873	4,603,737	5,900,644	5,900,644	5,758,975	5,670,803	5,230,056	5,720,238	5,750,807	5,694,793	5,448,639	5,403,642
Other	24,291	-8,357	-1,060	246,054	260,928	260,928	197,406	123,241	689,897	417,565	373,631	416,866	355,340	258,895
Total	1,797,939	300,430	243,891	5,538,626	7,880,886	7,880,886	7,880,886	7,419,687	7,542,187	7,684,461	7,786,611	7,826,321	7,276,131	7,241,834

Discussion

For the Municipal CFO Forum to **note** the actions in relation to the City of Cape Town:

- Progress in terms of the outstanding monies owed by Provincial Departments.
- The status of the outstanding debt owed by Provincial Departments as at 31 January 2012.

For the Municipal CFO Forum to note the actions with regards to the debt owed to non-metro municipalities:

- The actions taken by the Provincial Treasury to resolve outstanding monies owed by provincial departments to non-metro municipalities.

CITY OF CAPE TOWN



Western Cape
Government

Provincial Treasury

OUTSTANDING DEBT AS AT 31 JANUARY 2012 (COCT)

Stats end of January 2012	Current Accounts	Total Arrears 60 days +	Total (January 2012)	Total (December 2011)	Total (October 2011)
National Government					
Defence	R 329 708.52	-R 465 917.63	-R 136 209.11	R 1 293 052.06	R 4 942 302.29
Public Works	-R 13 214 442.80	-R 1 694 909.56	-R 14 909 352.36	-R 23 306 038.62	R 39 120 635.20
Schools	R 0.00	R 0.00	R 0.00	R 5 554.36	R 5 394.72
Police	-R 31 591.58	R 16 689.14	-R 14 902.44	-R 138 011.61	-R 60 583.22
Sea Fisheries	R 43 858.32	-R 6 161.33	R 37 696.99	R 19 230.19	-R 39 677.74
Sub Total	-R 12 872 467.54	-R 2 150 299.38	-R 15 022 766.92	-R 22 126 213.62	R 43 968 071.25
Provincial Government					
Vacant land and informal settlements	R 41 124.60	R 120 857.28	R 161 981.88	R 154 687.22	R 165 554.23
Education	R 12 624 006.18	R 56 755 686.08	R 69 379 692.26	R 65 193 175.70	R 64 104 130.44
Health	R 9 272 616.02	R 16 932 305.36	R 26 204 921.38	R 23 893 378.82	R 26 493 549.88
Housing	R 2 727 302.46	R 2 811 643.04	R 5 538 945.50	R 4 343 274.30	R 7 040 896.40
Public Works and Transport	R 11 967 944.44	-R 62 120 755.41	-R 50 152 810.97	-R 68 062 773.67	-R 111 954 897.51
Social Development	R 59 774.48	R 1 491 785.82	R 1 551 560.30	R 1 516 763.14	R 0.00
Community safety	R 30 215.66	R 328.06	R 30 543.72	R 28 512.49	R 522 649.24
Sub Total	R 36 722 983.84	R 15 991 850.23	R 52 714 834.07	R 27 067 018.00	-R 13 793 671.55
Sundry*					
*Accounts disputed by NPWD and Provincial Departments requiring further investigation	R 3 600 483.58	R 49 213 786.05	R 52 814 269.63	R 52 280 584.26	R 48 698 701.54
Sub Total	R 3 600 483.58	R 49 213 786.05	R 52 814 269.63	R 52 280 584.26	R 48 698 701.54
Total	R 27 450 999.88	R 63 055 336.90	R 90 506 336.78	R 57 221 388.64	R 78 873 101.24



City Debt Management : Progress

- On-going facilitation of data clean-up of municipal accounts i.r.o properties devolved from National Government to Provincial Departments
 - R84 million - concluded
 - R25.92 million – concluded
 - R9.7 million payment by WCED on 29 February 2012
 - Further payment by WCED by 15 March 2012
- Compilation of record / database of municipal accounts – WCED
 - Off-setting of debit balances with credit balances.
 - Splitting of municipal accounts between property and service charges.
 - Accounts previously settled in full with outstanding debit balances/raisings.
 - Split accounts with no debit raisings.
 - Accounts identified as not the responsibility of the Department
 - Accounts with missing information i.r.o. street addresses etc.
 - Installation of water management devices at 30 Schools

City Debt Management: Progress

- Dept of Health:

- Finalised the compilation of a database of municipal accounts for health institutions
- Appears all the current accounts were not settled timeously as at 31 January 2012, the Department investigating the increase in the amount in arrears after receiving the information on Friday, 17 February 2012.
- Meeting between PT, City and Dept of Health next week to address the matter.

- Dept of Human Settlements:

- Reconciliations in respect of the properties which were transferred to private owners and the off-setting of credit balances against debit balances were concluded.
- Identified accounts which were not listed in the asset register of the Department in respect of property erf number, street address as well as new accounts which appeared on the listing for the Department.

NON – METRO MUNICIPALITIES (District Debt)



Consolidated Debt Balances (Non-Metro Municipalities)

Municipality	DISTRICT DEBT MANAGEMENT - CONSOLIDATED REPORT AT 31 JANUARY 2012									
	Education R'	Health R'	NPW R'	DTPW (RATES) R'	DTPW (SERVICE CHARGES) R'	Housing 'R	Other 'R	Total 31 JANUARY 2012 R'	Total 31 DECEMBER 2011	Month on Month Incr/(decr)
West Coast										
Matzikama	4,667	378,505	335,842	379,110	0	68,085	14,320	1,180,529	1,154,201	26,328
Cederberg	162,260	312,412	202,840	423,451	66,891	0	0	1,167,854	1,665,097	-497,243
Bergrivier	26,572	96,824	976,693	100,000	79,650	0	174,920	1,454,660	1,201,369	253,290
Saldanha Bay	271,493	66,558	2,674,986	661,523	38,795	119,039	96,572	3,928,966	4,037,757	-108,791
Swartland	0	0	22,958	16,769	0	0	0	39,727	71,363	-31,636
District Total	464,992	854,300	4,213,319	1,580,853	185,336	187,123	285,811	7,771,735	8,129,787	-358,051
Cape Winelands										
Witzenberg	296,225	0	0	2,637,638	21,862	25,782	0	2,981,507	4,035,571	-1,054,064
Drakenstein	192,655	54,101	82,121	1,111,313	677,294	106,121	22,652	2,246,256	1,234,864	1,011,392
Stellenbosch	484,764	123,000	1,427,759	4,632,973	0	345,384	557,441	7,571,321	7,214,965	356,356
Breede Valley	31,322	2,550	590,525	247,584	5,805	0	35,222	913,008	1,538,495	-625,487
Langeberg	33,587	0	331,610	150,611	18,378	1,410	0	535,596	647,388	-111,792
District Total	1,038,553	179,650	2,432,015	8,780,119	723,340	478,697	615,315	14,247,688	14,671,283	-423,594
Overberg District	0	0	0	0	0	0	0			
Theewaterskloof	957,015	15,025	485,970	1,909,581	0	0	0	3,367,591	2,636,704	730,887
Overstrand	895,762	601,308	1,432,941	573,177	0	183,308	287,264	3,973,760	2,598,629	1,375,131
Cape Agulhas	0	515	61,490	68,785	312	118,362	210,308	459,772	305,149	154,624
Swellendam	6,773	188,057	173,139	-180,879	1,238,274	0	0	1,425,363	1,779,613	-354,249
District Total	1,859,550	804,904	2,153,541	2,370,663	1,238,586	301,670	497,572	9,226,486	7,320,095	1,906,391
Eden	0	0	0	0	0	0	0			
Kannaland	43,646	28,784	86,936	1,375	9,101	104,450	0	274,292	174,216	100,076
Hessequa	225,401	125,438	228,746	126,098	12,339	661,503	18,445	1,397,971	1,332,848	65,123
Mossel Bay	265,060	100,837	341,259	467,275	19,706	58,009	-10,295	1,241,851	1,317,952	-76,100
George	48,729	0	1,459,233	3,605,654	46,330	152,261	53,421	5,365,628	6,149,474	-783,846
Oudtshoorn	1,223,232	16,529	1,002,483	3,405,870	131,230	0	259,637	6,038,981	6,399,733	-360,752
Bitou	86,034	41,637	4,053	18,465	16,541	26,066	-	192,797	368,415	-175,618
Knysna	0	664,623	332,899	744,161	0	0	119,155	1,860,839	1,757,836	103,002
District Total	1,892,103	977,848	3,455,607	8,368,899	235,248	1,002,290	440,364	16,372,358	17,500,473	-1,128,115
Central Karoo										
Laingsburg	0	34,301	13,396	72,368	0	69,526	2,779	192,370	373,967	-181,597
Prince Albert	9,324	51,274	21,915	39,016	0	0	0	121,528	148,498	-26,970
Beaufort West	550,337	68,200	76,207	230,268	115,802	3,187	19,167	1,063,168	1,242,875	-179,708
District Total	559,661	153,775	111,518	341,651	115,802	72,713	21,947	1,377,066	1,765,340	-388,274
Grand Total	5,814,859	2,970,477	12,366,000	21,442,186	2,498,311	2,042,494	1,861,008	48,995,334	49,386,978	-391,644



Debt Overview

- The overall debt at the end of January 2012 records a balance of R48.99 million which has decreased by R391,644 from the balance of R49.39 million when compared to December 2012
- The aging of the debt in the current (0 – 60 days) and arrears (+60 days) categories amounts to R14 million (28.6 per cent) and R34.99 million (71.42 per cent) respectively
- The arrear category of the debt includes the annual property rates accounts that have not been paid by the Department of Transport and Public Works for selected municipalities. The delay in the non-payment of rates is due to the shortfall experienced by Department in terms of their conditional grant allocation for the financial year

(Saldanha Bay , Witzernberg, Drakenstein,
Stellenbosch, TWK, Overstrand, George,
Oudtshoorn)

Debt Challenges : Reporting

A number of ongoing challenges exists which hampers the resolution of accounts and payment of arrear balances and include the following:

- Accounts addressed to the incorrect department
- Invoices not posted to departments for timeous payment
- Incomplete Asset Register (s)
- Inaccuracy of information submitted : Government debt template is not aligned to the AD Appendix B input form
- Late submission of information (after the due date)
- Information submitted in the wrong format
- Some information still outstanding/unknown (e.g. property name, dept. occupying property, period for which debt is outstanding, etc)
- Contradictory information e.g. Same municipality confirmed that there is no debt outstanding but submitted invoices to suggest there is money owed to the municipality
- Rates and services billed on one account for provincial properties

Analysis of Split Accounts

Extract from PT Circular 12 of 2011 dated 3 March 2011 :

"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. "

- A survey was undertaken to determine how many municipalities have implemented split accounts in terms of rates and services charges in addition to the one-on-one engagements that were undertaken with municipalities during 2010 and 2011
- The municipalities who have not implemented split billings on all municipal accounts include the following:
 - ❖ **Matzikama**
 - ❖ **Saldanha Bay**
 - ❖ **Swellendam**
 - ❖ **Beaufort West**
 - ❖ **Stellenbosch**
 - ❖ **Witzenberg**
 - ❖ **Mossel Bay**
 - ❖ **Kannaland**

Analysis of Split Accounts (continues)

Before 1 April 2008, the National Department of Public Works (DPW) was responsible for paying property rates on provincial and national properties

- With effect from 1 April 2008, the function of paying property rates on provincial properties has been the responsibility of the provincial public works departments that now own properties in their respective provinces
- Budgets for property rates have accordingly also moved to provinces.
- The Department of Cooperative Governance and Traditional Affairs, DPW and Presidency are working together in trying to resolve the matter of arrears
 - i. Vesting (ownership) of properties
 - ii. R293 townships
 - iii. RSA properties
 - iv. Public Service Infrastructure; and
 - v. Section 20 & 21 Schools

CONCLUSION



Western Cape
Government

Provincial Treasury

CONCLUSION

- ❑ The Provincial Treasury have been working on the Govt debt management initiative for quite some time and with a reasonable modicum of success, given the state of account and billing management and accuracy on both the municipal and departmental (national and provincial) side, as well as the state of asset and systems management and capabilities.
- ❑ A major part of the government related debt problem relates/related to all of these elements, eventually reflected as either incorrect billing or inappropriate payments or both (in majority of cases).
- ❑ The Provincial Treasury will continue to facilitate the monthly debt steering committee meetings to monitor the progress on undertakings between the Provincial Departments and the City of Cape Town in respect of the payment of arrear accounts, splitting of municipal accounts between service charges and property rates and on outstanding debt owed to the City of Cape Town.

CONCLUSION

- ❑ Attend to further engagements with non-metro municipalities. In addition, the progress and status in terms of the debt related to the non-metro municipalities will be reported at the scheduled monthly Ministerial debt meetings.

- ❑ A status of the debt templates will be done in terms of:
 - ❑ accuracy of the data (no manual amendments by PT)
 - ❑ Alignment of government debt data to the Appendix B Input form
 - ❑ Act 9 Towns and the implications for government departments
 - ❑ Splitting of accounts

The above-mentioned criteria will form the basis for future engagements with municipalities

- ❑ Municipalities are encouraged to maintain the communication with national/provincial departments and to advise the PT of any further assistance as may be required

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THANK YOU