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Department:
Cooperative Governance and Traditional Affairs
PROVINCE OF KWAZULU-NATAL



CIGFARO Revenue Solution Summit

29 - 30 November 2018

Presenter : Mr R Ranjith

Municipal Finance

TOGETHER WE HAVE MADE KZN A BETTER PROVINCE TO LIVE IN, TOGETHER WE WILL MOVE SOUTH AFRICA FORWARD



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Presentation Outline

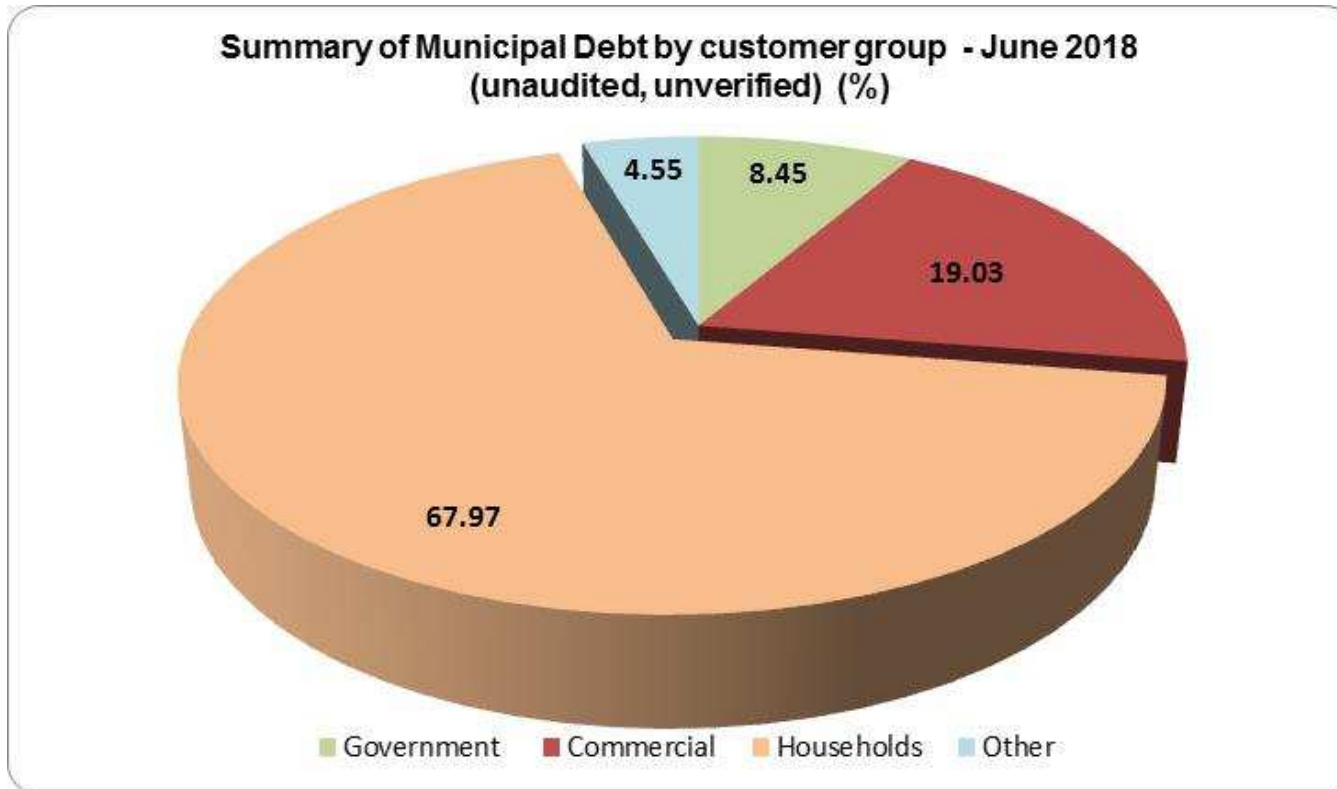
- Summary of Government debt as at 30 June 2018
- Debt paid to municipalities as at 30 September 2018
- Provincial Co-ordinating Forum on Govt Debt (PCF)
- Basic activities and actions for municipalities to improve and maintain steady revenue stream from government



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Municipal Consumer Debt – June 2018



Government	Commercial	Households	Other	Total
1 783 700 371	4 016 872 903	14 346 707 425	959 684 802	21 106 965 502





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Municipal Debt as at 30 June 2018

Municipal Debt as at 30 June 2018 - Data Sources

Draft Annual Financial Statements	35
Obtained from Municipalities	9*
Obtainen from section 71 Reports	10
Total	<u>54</u>

** Instances where figures were obtained from municipalities & figures differed from the AFSs*



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Municipal Provincial Govt debt – June 2018

Government Debt aggregated to District as a Percentage of total Government Debt

Municipality	Govt Debt	% of total Govt Debt
Ethekwini	601 953 031	33.79
Ugu DM	67 819 523	3.81
uMgungundlovu DM	282 759 249	15.87
Uthukela DM	170 603 686	9.58
Umzinyathi DM	76 517 908	4.29
Amajuba DM	73 620 020	4.13
Zululand DM	93 507 619	5.25
Umkhanyakude DM	109 992 548	6.17
King Cetshwayo	229 362 550	12.87
iLembe DM	43 765 608	2.46
Harry Gwala	31 798 630	1.78
Total	1 781 700 372	100.00

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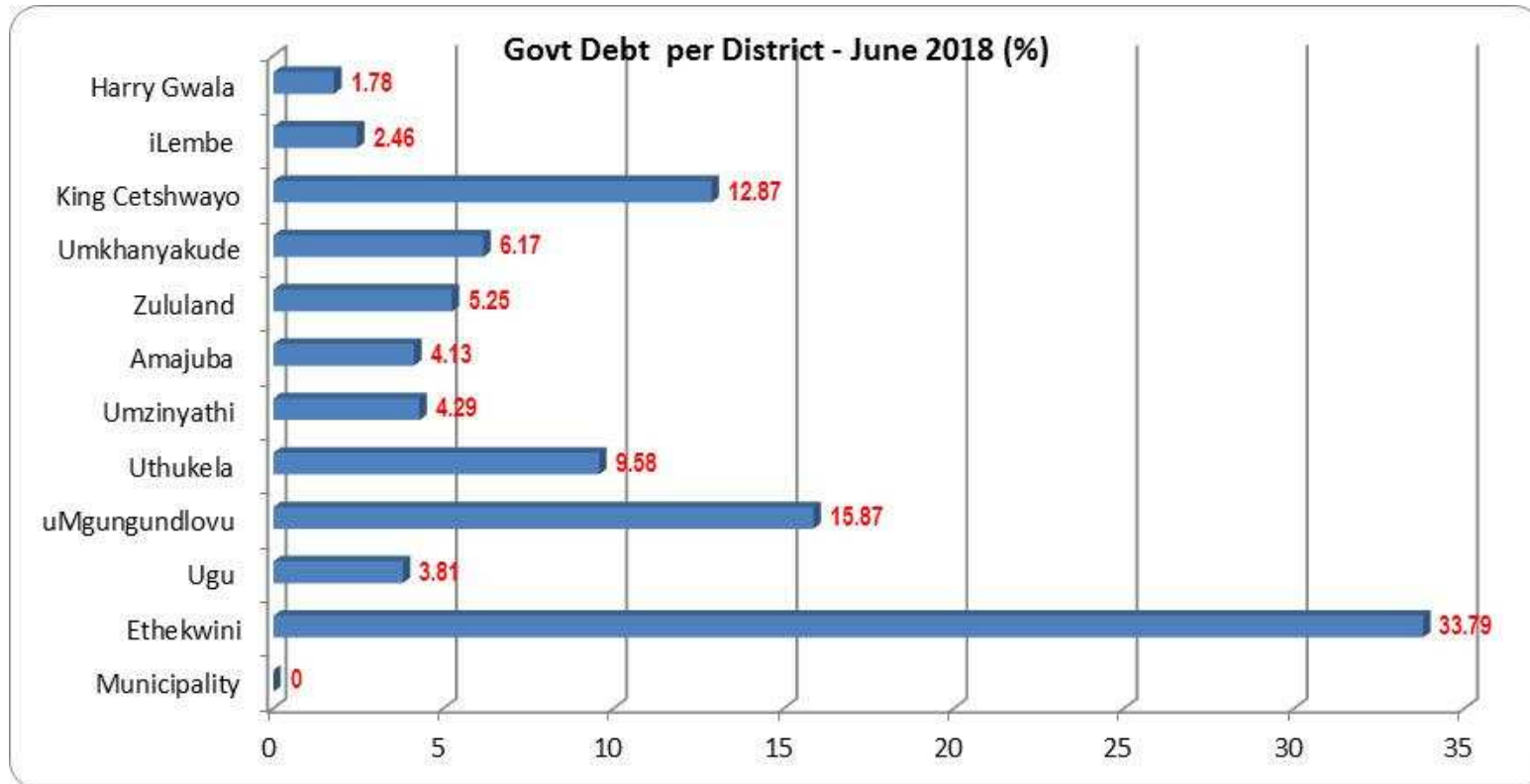




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Municipal Provincial Govt Debt – June 2018



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Payment made by Government as at 30 Sept 2018

Payment made by Provincial Departments (1 April to 30 September 2018)

Departments	Rates	Services	Totals
Department of Health	0	540 770 130	540 770 130
Department of Public Works	583 287 170	0	583 287 170
Department of Human Settlement	8 105 975	17 270 378	25 376 353
Department of Education	0	48 863 033	48 863 033
Department of Agriculture	0	12 628 336	12 628 336
Provincial Treasury	0	2 541 407	2 541 407
National Departments	0	0	0
Department of Rural Development and Land Reform	3 345 313	0	3 345 313
Totals	594 738 458	622 073 284	1 216 811 742



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Prov. Works : Current Initiatives (Section 14 schools)

- Provincial Works has paid R53 million to municipalities w r t section 14 arrear debt;
- An amount of R55 million is outstanding for the arrear section 14 debt and the Department would be settling the debt once additional funding has been secured;



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Prov. Works: Current Initiatives (Debt as 31 March 2015)

- Infamous REGUKOM & KANO Project : balances as at 31 March 2015);
- Department is processing R48 million alleged owed to 42 municipalities;
- Debt owed to 23 municipalities have been verified and of these 11 municipalities would be paid approximately R11.88 million;
- Not all debt would be settled in the Provincial 2018/19 year awaiting outcome additional funding request;
- Provincial Works is working with the verification of the alleged debt owed by the remaining 19 municipalities

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Provincial Co-ordinating Forum – Govt Debt (PCF_GD)

- Members CoGTA (Chair), PT, KZN Works, National Works, SALGA, DoE, DoH, DRDLR, DCoG;
- Water and Sanitation & ITB were members and stopped attending meetings;
- Meet monthly to deal with issues around debt owed to municipalities;
- Reporting Structures include CoHoD, G & A Cluster, Provincial Legislature etc.



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Provincial Co-ordinating Forum – Govt Debt (PCF_GD)

- Section 14 schools – Provincial Works is now liable for rates on section 14 schools where valid lease agreements are in place;
- Fostered closer working relationships between all three spheres of government with regard to debt owed by government;
- Progress being made w r t rates owing on dams (R18.6 m);
- A better understanding by Provincial & National Departments of the MPRA and the associated processes e.g. the section 49 notice, objection to values of state properties;
- DRDLR is now requesting municipalities to bill annually unlike in the past – aligned to the national & provincial process



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Provincial Co-ordinating Forum – Govt Debt (PCF_GD)

- Influenced PEC Legkotla to resolve that all Provincial Depts must pay debt owed to municipalities by February 2019 – circular issued to all Provincial Depts HoDs and CFOs;
- Influenced DRDLR, Human Settlements and Prov & National Works to review and update their respective Fixed Asset Registers;
- The issue of vested state properties and unverified state owned properties and the associated debt has now been brought to the fore - currently receiving attention;
- The Forum is represented at a National Works Government Debt Task Team (vertical and horizontal integration);

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B&B



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How can we contribute to improve collections from government?

- Maintain one account number only for each rates and services account;
- Municipalities to invoice departments in time and send invoices to correct addresses;
- Timely allocation of payments by government and not placing in payments in the unallocated receipts/ suspense accounts;
- Services and especially rates are charged in terms of the approved municipal tariff of charges and usage e.g. PSI should not be charged as government use; and
- Do not bill for state properties that are exempt from rates i t o of rates policy e.g. game reserve.



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How can we contribute to improve collections from government?

- Do not combine rates and services on one invoice - e.g. rates and vacant site clearing are consolidated on one invoice;
- When billing for multiple years – departments require separate invoices per financial year;
- Submit rates invoice with all the mandatory information completed as required by the departments (section 27 MPRA & CoGTA Circular Minute 07/11/2016);
- Submit the valuation roll to the relevant departments and place the valuation roll on the municipal website;
- Do not send invoices with opening balances only and expect payment;
- Regular reading of meters and attend to defective meters in a timely manner;
- Establish and maintain good relations with the respective client departments;
- Always have an element of flexibility w r t the waiver of interest on overdue accounts;

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How can we contribute to improve collections from government?

- Have a competent dedicated person(s) that deal with government accounts (Interns, relief and turn/over);
- Avoid the late submission of invoices to Depts and request prompt payment e.g. invoices are distributed around 27th of a month and payments are due by 7th of the new month;
- Ensure that government accounts are correctly categorised as such on the financial systems – may end up not billing Departments and impacts on analysis and reporting on debtors;
- Government accounts should also be the managed in a differentiated and efficient manner.



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Thank you

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