



public works
& infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

Issued by Chief Directorate: Communications Enquiries: Zara Nicholson: 066 0183 395

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MEDIA STATEMENT

Department of Public Works & Infrastructure resolving outstanding debt on municipal rates and services

In August I started a campaign with the Chief Financial Officer in the Department of Public Works and Infrastructure (DPWI) to settle all outstanding national government debt owed to municipalities.

The current system sees the DPWI settling the municipal accounts of all government departments who in turn have to reimburse the DPWI for municipal services, whilst the property rates expenditure is borne by the DPWI.

The campaign with the CFO's office was a proactive measure to resolve all outstanding issues and ensure that there was no repeat of unpaid municipal accounts.

As government owns thousands of properties across the country, this is a massive task but one which myself and the department is committed to resolving because of the importance of the good financial standing of municipalities and DPWI.

Municipalities are owed money by DPWI for various reasons:

- Municipal accounts must be verified and validated prior to processing payments in order to avoid irregular and fruitless and wasteful expenditure; this include the verification of ownership and occupation of land parcels and buildings.
- DPWI pays these accounts on behalf of other user departments;

- Many government departments are not refunding DPWI and this creates cash flow problems for DPWI;
- Many municipalities submit inflated accounts. There are often conflicting amounts in terms of what is owed and in many instances - incorrect billing;
- Many municipalities submit accounts on properties rates and municipal services that should not have been billed to DPWI;
- Many properties in municipalities are categorised as either:
 - a) R293 Properties: These are properties that have been erroneously transferred/donated to municipalities during the new South African democratic dispensation;
 - b) State Domestic Facilities (SDF): These are the types of properties that are in the process of being registered under the ownership of Department of Public Works and Infrastructure. SDF properties could either be properties not yet surveyed or surveyed but not sub-divided;

The Department's Chief Financial Officer is spearheading the project to settle all Government debt owed by DPWI to municipalities and his office developed a project plan to:

- Reconcile outstanding government debt for municipal service billed;
- Agree with municipalities for settlement or recovery of the outstanding amount and obtain sign-off (confirmation of balance);
- Verification of ownership and occupation for property rates and municipal service accounts respectively;
- Provide clear recommendations to avoid repetition of issues.

Each of DPWI's eleven regional offices provides a weekly update to the CFO and the Minister on progress.

Each of DPWI's regional offices has finance officials who engage with relevant municipal officials in the form of working sessions to reconcile and resolve on which verified accounts to be settled accurately.

In many municipalities, officials have to deal with thousands of municipal property and service accounts.

During engagements with DPWI and municipalities, officials establish the reasons for varying accounts, verify accounts and agree on the correct amount to be paid to the municipality.

Once the amount is verified and agreed upon, the DPWI finance unit pays the municipality within 30 days.

Once we pay municipal accounts on behalf of other departments, we then rely on other national departments to reimburse us timeously in order to keep our books afloat.

I have raised this matter with Treasury and proposed that perhaps the long-term solution is that all national government departments must pay their accounts to municipalities directly.

As of 30 June 2019, Municipalities reported in terms Section 71 (S. 71) of the Municipal Finance Management Act (MFMA) that the overall government debt was R3.1 Billion. There are 135 municipalities of the 257 municipalities that reported to be owed by DPWI. The DPWI is, however, in the process of verifying the debt owed for all 257 municipalities.

The amount stated amount of R3.1 Billion, has, however, proven to be unreliable and incorrect as is displayed in Section.71 MFMA information. The following are three (3) examples:

- Bushbuckridge Local Municipality disclosed an outstanding debt of R925.5 million as per S.71, however, our regional office has agreed with the municipality that the outstanding debt is R6.9 million as per our joint reconciliation of work performed;
- Emfuleni Local Municipality disclosed an outstanding debt of R185.9 million as per S.71, however, they were unable to provide any supporting documentation to support this rand value on enquiry from the regional office and Gauteng Government Debt Forum;
- Makhuduthamaga Local Municipality disclosed an outstanding debt of R362.2 million as per S.71, however, our regional office has agreed that the outstanding debt is R1.3 million as per our joint reconciliation work performed;

It is therefore essential that amounts disclosed by municipalities require verification and validation prior to processing payments in order to avoid irregular and fruitless and wasteful expenditure.

As of 11 October 2019, DPWI has obtained sign-offs after reconciliations were performed from 29 Municipalities and has had engagements with 78 municipalities to date.

DPWI will send letters to municipalities to raise awareness and ensure cooperation and commitment in relation to all records and reconciliation for verification of Government debt.

The DPWI is resolute in its commitment to settle all verified debts within 30 days of receipt of the statements invoices and reconciliation sign-offs.

Thus far, details of the engagement with the 78 municipalities are as follows:

Regional Office	Number of Municipalities where engagements were made	Sum of debt owed as Per Section 71: 30 June 2019	Sum of Confirmed Amounts: Rand Value Amount Agreed by both Stakeholders	Number of Sign-offs
Bloemfontein	10	58 397 000	Busy with verification	
Cape Town	10	31 408 000	15 347 561	10
Durban	14	294 342 000	Busy with verification	
Johannesburg	5	191 629 000	10 478 075	3
Kimberley	8	18 177 000	16 846 280	2
Mmabatho	3	14 987 000	4 419 167	1
Mthatha	7	6 093 000	2 423 686	4
Nelspruit	13	1 182 177 000	83 500 000	6
Polokwane	4	460 069 000	44 952	3
Port Elizabeth	3	24 580 000	Busy with verification	
Pretoria	1	15 694 000	Busy with verification	
Grand Total	78	2 297 553 000	133 059 721	29

The DPWI is also closely tracking the municipal accounts of the department's public entities such as Agrément SA (ASA), the Council for the Built Environment (CBE) and others.

In terms of Agrément SA, this entity owes nothing to any municipality, the same goes for the CBE.

The Construction Industry Development Board (CIDB) also owes nothing to any municipalities.

In terms of the Independent Development Trust (IDT), there is an outstanding amount of just over R5.4million stated as being owed to the City of Tshwane.

The outstanding amount is currently in dispute and will be paid once the dispute is resolved. The IDT however pays monthly invoices in full as payment is due.

In terms of provincial department of Public Works, these departments are directly responsible for settling their municipal accounts.

The information in the table below was provided to the Department by each of the provinces.

Provincial Department of Public Works	Amount owed to municipalities
Eastern Cape	R395 064 271.00
Free State	R629,701,094.00
Gauteng	R313,634,764.76
Kwa-Zulu Natal	R48 958 633.65
Limpopo	R422,063,976.35
Mpumalanga	R 100,710,881.99
Northern Cape	R575 081 688.1
North West	R151 175 599 11
Western Cape	21,948,331.41

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Media enquiries:

Zara Nicholson

Media Liaison Officer to Minister of Public Works and Infrastructure: Patricia de Lille (MP)

Contact: 021 402 2284

Mobile: 079 416 5996

Zara.nicholson@dpw.gov.za