

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2546 [NW3051E]
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2546. Mr K Ceza (EFF) to ask the Minister of Finance:

What remedial action has been put in place by the National Treasury to ensure that government departments and/or businesses owing money to municipalities, make urgent payments to such municipalities, in order to prevent the municipalities from experiencing liquidity and/or cash flow challenges? NW3051E

REPLY

National Treasury has encouraged municipalities to enforce its credit control and debt management policies and bylaws. This implies that if any organ of state neglects to honor their payment arrangement for services rendered by municipalities within the legislative timeframe of 30 days as per the PFMA and MFMA, the municipal, by law, must proceed to terminate or restrict the services to those customers (including government departments and businesses) with immediate effect.

Even if the customer questions the accuracy of the bill issued by municipalities, which may be a valid concern, it is not acceptable behavior not to honor the payment for services knowing very well that services have been consumed. In some cases, dependent on the specific credit control and debt management policy, the customer may have to pay first before any dispute is resolved.

There are number of initiatives that government is undertaking to address systemic challenges in the management of revenue as well as guidance issued to assist municipalities which are summarized and articulated in an Annexure A to this response.

Annexure A:

Section 38(1)(f) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) read together with Treasury Regulation 8.2.3, requires accounting officers of departments to settle all contractual obligations and pay all money owing, including intergovernmental claims, within 30 days or other period agreed with the creditors or suppliers.

Municipal liquidity and/ or cash flow is a complex challenge underpinned by various matters not only related to arrears owed by government departments and/ or businesses.

Smart metering solution - to improve revenue collection in municipalities, the National Treasury is exploring a SMART solution with the Department of Minerals and Energy and the Department of Trade and Industry to, through the Office of the Chief Procurement Officer (OCPO), issue a transversal tender for national roll out. It is envisaged this will transform the current backward-looking culture of payment for municipal services and property rates taxes to a forward-looking pre-paid payment solution of a consolidated municipal bill (for both services and property rates) also as it relates to organs of state and businesses. Unless funding can be facilitated, this will be a medium to longer term initiative to be funded from municipal own resources.

Organs of state debt - during the latter part of 2021, Government's Multi-disciplinary Revenue Committee (MdRC) (as an organs of state consultation platform) initiated the Department of Public Works' collection of information from all national organs of state on debt owed to municipalities and the reasons for them not paying. The project is delayed due to organs of state's late or incomplete information. It is our understanding that the Department of Public Works is embarking on a similar project for provincial organs of state.

To ensure all government consumers of services are billed, a coordinated resolution is underway to correct the ownership of 80 000 government properties identified as registered to the incorrect government owner in the Deeds Office. This problem directly relates to the establishment and disestablishment of departments across 6 administrations since 1994. This has been stated by numerous organs of state as preventing them to pay the respective municipalities for property rates and services. This is unfortunately a costly and time-consuming process. The National Treasury will be engaging the Deeds Office to explore legal options to fast-track these corrections and more cost-effective ways to affect such going forward.

A project is also underway to assist municipalities to ensure that their valuation rolls agree to the asset registers of the Department of Public Works for all organs of state. It is anticipated that a nationwide reconciliation of this nature will provide a further list of variance properties that needs to be corrected in the Deeds Registry by the Department of Public Works and / or other organs of state. The second part of this project involves a long-term project to individually correct every property at the relevant Deeds Office on a case-by-case basis as mentioned above.