



**Western Cape
Government**

Provincial Treasury

LGMTEC 3-Feedback

13 June 2013

LG MTEC3: BACKGROUND

- LG MTEC3 Assessment/ Engagement based on combined Assessment Framework by DLG and Provincial Treasury
- DLG Assessment focused on Compliance and Responsiveness of IDP
- PT Assessments guided by framework with 4 main components eg.
 - ✓ Conformance: compliance with MBRR
 - ✓ Responsiveness: How budget responds to socio economic conditions,
 - ✓ Credibility: Is the budget funded, realistic and implementable and
 - ✓ Sustainability: Is the budget supported by adequate cash resources that will last over at least the MTREF (3) period.
- Engagements took place from 23 April till 10 May 2013

LG MTEC 3: CONFORMANCE

- All 30 municipalities tabled on or before 31 March 2013.
- Budgets were received on tabling date & compliance checklist was issued on receipt of budgets.
- Non-compliance letters were issued to municipalities from MEC to Mayor.
- Municipalities responded by resubmitting corrected MBBR schedules or made commitments to achieve full compliance with adoption of final budgets.

LGMTEC 3: RESPONSIVENESS

- Municipalities were required to submit draft SDBIPs with tabled budgets
- Access to services improved over time as observed from the Census 2011 information.
- A number of municipalities disputed the Census information
- Variances between number of households served by municipalities and Census information especially rural areas.
- The release of Census information at ward level is crucial to make better sense of service delivery dynamics
- Very few municipalities had additional/ own resources available to invest in economic growth/ development as budgets are reliant on national/ provincial transfers

LGMTEC 3: CREDIBILITY

- Bulk of the municipalities tabled deficit budgets which mainly ascribed to accounting treatment of depreciation.
- In quest to get trading services to be cost reflective, still found some municipalities where trading services recorded deficits. NT goal all tariffs to be cost reflective by 2014 & 2015.
- Collection rates deteriorate and impacts on sustainability of municipality, mainly current economic conditions.
- Capital budgets under pressure due to lack of funding of own funds.
- Distribution losses (W+E) have reduced over time but some are still high.

LGMTEC 3: SUSTAINABILITY

- Many of the municipalities indicated decreasing cash resources and lower current and liquidity ratio over MTREF.
- CAPEX mainly funded from grants.
- Investments also noted to decrease in some municipalities and PT requested the build up of reserves to meet statutory requirements.
- Cash Management in municipalities still requires much improvement.
- DMs tabled significant nominal and real deficits.

LGMTEC 3: PLANNED SUPPORT

- Assistance with the finalisation of SDBIPs.
- Further research on the fiscal transfer system inclusive of the Local Government Equitable Share for Districts.
- Appropriate tariff setting and affordability.
- Joint research work with the Provincial SALGA to compile a position paper on supply (distribution) of Electricity by Eskom in municipal areas.
- Ensuring compliance to the Municipal Budget and Reporting Regulation especially tabled budgets (31 March).
- Infrastructure planning, investment and maintenance.

LGMTEC 3: PLANNED SUPPORT cont.

- Efficiency gains related to, amongst others, reducing water and electricity distribution losses to 10% and low;
- Training interventions aimed at addressing the identified shortcomings in planning, budgeting, budget implementation and reporting;
- Development of Long term Financial Plans;
- Assistance with the development of budget policies;
- Roll out funding both from PT and DLG to assist with the implementation of some of the resolutions made during these engagements



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PDO Forum

PDO Challenges

- Inadequate presentation of reported information – not presented in a simple, accessible format, relevant and useful for the intended user
- Reasons for variances between planned and actual reported targets not explained
- Corroborating evidence does not agree with reported explanations for variances
- Changes to planned performance not disclosed in the annual performance report

PDO Challenges cont...

- Lack of reporting on all PDO's in the Annual Report
- Incomplete reporting on all PDO's, indicators and targets – actual achievements of all planned indicators and targets in the IDP were not reported in the Annual Report
- Reported information not consistent with planned, objectives, indicators and targets.
- Changes to planned performance information was not approved
- Planned objectives, indicators and targets not relevant to the mandate and or objectives of the entity

Objectives of the PDO Forum

- Enhance objectives of legislation, MFMA, MBRR, MSA, etc
- Build institutional capacity and relationships
- Knowledge sharing
- Formal & informal communication
- Requirements for audits on pre-determined objectives
- Sound financial governance
- Improve planning
- Best practices

Membership

- Open to all WC municipalities
 - 2 officials per municipality
 - Preferably those involved with performance management or IDP
- NT
- PT
- DLG
- Any other institutions (on invitation)

A pro-active response for 2012/13

- A two day PDO workshop on 24 & 25 June 2013 in order to prepare properly for the audit
- Venue: Stellenbosch Council Chambers
- Workshop presenters:
 - Leon Janse Van Rensburg – A/G office
 - Municipal Officials (lessons & experiences)
 - Provincial Treasury
 - Department of Local Government



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Thank You