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WESTERN CAPE PROVINCE

**PRESENTATION
TO THE
SELECT COMMITTEE ON FINANCE**

**INFRASTRUCTURE GRANT TO PROVINCES (IGP)
AND
DEVOPLUTION OF PROPERTY RATES FUND
GRANT(DPRFG)**

PROVINCIAL ROAD NETWORK MANAGEMENT

27 August 2008



Department of Transport and Public Works



INFRASTRUCTURE GRANT TO PROVINCES (IGP)



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IGP: BACKGROUND

- Limited resources constrain Branch's core function of road infrastructure provision
- Road system consist of
 - 6 537km of paved roads
 - 10 290km of gravel roads
 - 15 000km of unpaved minor roads
- Backlogs continue to grow:

ESTIMATED BACKLOGS /YEAR					
Year	2005/06	2006/07	2007/08	2008/09	2009/2010
	R billion		R billion	R billion	
Estimated Value	2, 837	(not available)	3, 535	4, 352	-



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IGP:TRENDS IN ALLOCATIONS

- IGP used to reduce the backlog to the extent of allocated funds

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/2101
	R'000	R'000	R'000	R'000	R'000	R'000
IGP Roads	78 408	88 757	215 269	279 657	299 002	350 560
Actual Expenditure	78 408	88 757	181 691	279 657	69 135 (first quarter)	-
Variance	0	0	* 33 578	0	229 867	-

* R33,578m rolled over to 07/08 to complete repairs on flood-damaged roads



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IGP: PROJECT ALLOCATION(1)

PROJECT	IGP BUDGET R million
C783: Algeria Road Upgrade Phase 1	12,369
C638: Riebeeck West -Moorreesburg	40,000
C733.03: Upgrade TR2/2 Hazeldene Drive- Bradlands Roads	15,000
C880: Koeberg Interchange Upgrade Phase 1	110,000
C708.07: N2 Eastbound Rehab Phase 111	40,000
C794.01: White Bridge – Knysna	20,000
C882.03: Heuvelkroon, Greyton Upgrade	4,700
C883.01: Redelinghuys Upgrade of Streets	2,994
C883.04: Ongegund, Vredenburg Upgrade of Access Road	5,700
Maintenance Current	33,239
Total	299,002



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IGP: PROJECT ALLOCATION(2)

- Estimated expenditure on all capital IGP projects in excess of IGP values
- All grant monies will be spent. The excess values will be funded from normal budget allocation.
- No capacity constraints



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IGP: KEY MONITORING MECHANISMS

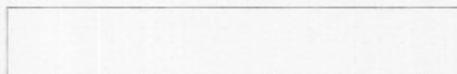
- Head Office implements and manages projects according to an approved business plan
- Project office
 - established to improve programme management capability
 - Tasked to develop and implement systems for managing project portfolio through all stages in project lifecycle
- Appointment of consultants to supervise the execution of contracts
- Close proximity of District Roads Engineers to projects ensure direct supervision and control



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DEVOLUTION OF PROPERTY RATES FUND GRANT(DPRFG)



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DPRFG: PURPOSE OF GRANT

- To facilitate the transfer of property rates expenditure responsibility to provinces, and
- to enable provincial accounting officers to be fully accountable for their expenditure and payment of provincial property rates.



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DPRFG: PROGRESS ON DEVOLUTION - 1

- All property lists provided by NDPW as part of the MOU for the devolution of property rate payments have been verified – **100%**.
- Cleaning up of asset register to ensure that properties not appearing on the NDPW list are included in the final property rates payment portfolio – **90%**
- Engaged municipalities to verify preliminary lists – **81%**
 - Update municipal records
 - Provide additional property detail
 - Provide municipal valuations (Land and Improvements)
 - Provide applicable rate tariff.



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DPRFG:PROGRESS ON DEVOLUTION - 2

- Workshops were held with all municipalities to explain the process of devolution and the impact of the split in payment responsibility between National and Provincial, and to establish a working relationship going forward.
- Updating of property data sets on iE-Works to ensure comprehensive, accurate and full payment of the Provincial property portfolio – **80%**.
- Engaged in a training session with NDPW regarding the Rates Payment module in iE-Works.
- Accommodation arrangements, network and systems access for rate payment staff are finalized and in place. – **100%**



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DPRFG:ALLOCATION

2008/09 R'm	2009/10 R'm	2010/11 R'm
147,127	164,865M	181,351M

- Based on actual expenditure by NDPW for 2005/06
- Actual expenditure for 2007/08 R177m
- Effects of the new Municipal Property Rates Act, 2004 (Act 6 of 2004) not factored into the allocation
 - New property valuation
 - Increase in municipal rate tariffs
 - Levying of property rate charges on properties previously not rateable
- Actual funding requirement for 2008/09 not known at this stage
- Possible budget shortfall



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DPRFG:MUNICIPAL BILLING SYSTEM

- Ten municipalities have introduced a new monthly billing system for property rates (\pm 40% of accounts)
 - o Previous billing arrangement:
 - o Rates payable during period July – September (Interest on arrear amounts only accrue from 1 October)
 - o New Billing arrangement:
 - o Monthly billing, interest on outstanding accounts / monthly arrear amounts accrue after July.
 - o Monthly billing will however alleviate pressure on the immediate monetary requirements as the expenditure will be spread over the full financial year.



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DPRFG: PROCESSING OF PAYMENTS

- Processing of property rates payments through the newly introduced iE-Works system will commence 25 August 2008.
- Reasons for non payment to date:
 - Training on the payment of municipal rates accounts through the iE-Works system was only provided to relevant staff members by NDPW on 19 August 2008.
 - Inaccuracy and incompleteness of data pertaining to provincially owned properties on iE-Works.
 - More than 60% of municipal accounts still outstanding (either not sent by Municipalities or incorrectly sent to NDPW)



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DPRFG:CURRENT ACCOUNT STATUS

	Number of Municipalities	Number of Accounts (combination of monthly and annual accounts)		Total amount payable in relation to allocated funding		Budget allocation R million
		Total	%	Total R million	%	
Available for payment	23	1,089	49	107,480	73	147,127
Outstanding	7	±1,128	51	?	?	



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DPRFG: ACCOUNTS RECEIVED PER MUNICIPALITY

Municipality	Accounts	Municipality	Accounts	Municipality	Accounts
Beaufort West	59	Drakenstein	100	Overstrand	99
Bergriver	0	Eden	3	Overberg	0
Bitou	0	George	2	Prince Albert	39
Breede Valley	11	Hessequa	1	Saldanha	10
Breederiver Winelands	89	Kanaland	0	Stellenbosch	70
Cape Agulhas	2	Knysna	58	Swartland	159
Boland / Cape Winelands	0	Laingsburg	2	Swellendam	0
Cederberg	0	Matsikama	1	Theewaterskloof	6
Central Karoo	10	Mossel Bay	53	West Coast	11
City of Cape Town	153	Oudtshoorn	78	Witzenberg	73



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DPRFG:PROJECTED EXPENDITURE

Account Month	Payment Schedule	Excluding outstanding accounts			Including outstanding accounts		
		Monthly (R'0M)	Cumulative (R'0M)	% of Budget	Monthly (R'0M)	Cumulative (R'0M)	% of Budget
April							
May							
June							
July							
August	R36.7M	R5.36	R5.36	0.04			
September	R36.7M	R53.88	R59.24	40.30	R131.41	R131.41	89.11
October	R36.7M	R5.36	R64.60	43.95	R10.81	R142.22	96.60
November		R5.36	R69.96	47.59	R10.81	R153.03	-4.08
December		R5.36	R75.32	51.24	R10.81	R163.84	-10.88
January		R5.36	R80.68	54.88	R10.81	R174.65	-18.37
February	R36.7M	R5.36	R86.04	58.53	R10.81	R185.46	-25.85
March		R5.36	R91.40	62.18	R10.81	R196.27	-32.33
April - June		R16.08	R107.48	73.11	R32.42	R228.69	-5.88

DPRFG: CONSTRAINTS AND CHALLENGES (1)

- Institutional:
 - Lack of co-operation by certain municipalities insofar as providing critical information (property values, rate tariffs and accounts)
 - Develop and establish sound relationships with respective municipalities.
- Systems:
 - New rates payments system (iE-Works).



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DPRFG: CONSTRAINTS AND CHALLENGES (2)

- Human Resources:
 - Building permanent capacity. (All account payment officials are contract employees).
 - Developing and building appropriate skills amongst staff.
- Funding arrangements:
 - Payment of property rates accounts in respect of Municipal / Housing Boards properties utilized by PGWC clients, but not vesting with PGWC must be resolved before payment can be effected - transfer to be taken.



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