IN THE HIGH COURT OF SOUTH AFRICA

(NORTH WEST DIVISION, MAHIKENG)

CASE NUMBER: M311 / 2021

In the matter between:

SAKELIGA NPC	APPLICANT
And	
THE MEMBER OF EXECUTIVE COUNCIL: NORTH WEST PROVINCE: COOPERATIVE GOVERNANCE, HUMAN SETTLEMENT AND TRADITIONAL AFFAIRS	1st Respondent
THE MEMBER OF EECUTIVE COUNCIL: NORTH WEST PROVINCE: FINANCE	2nd Respondent
THE MINISTER: NATIONAL DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS	3rd Respondent
THE MINISTER OF FINANCE	4th Respondent
DITSOBOTLA LOCAL MUNICIPALITY	5th Respondent
NALEDI LOCAL MUNICIPALITY	6th Respondent
THE PREMIER: NORTH WEST PROVINCE	7th Respondent
ESKOM SOC LIMITED	8th Respondent

Document filed by
M.E. Tlou
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MAGALIES WATER BOARD 9th Respondent

SEDIBENG WATER BOARD 10th Respondent

FILING NOTICE

EIGHTH RESPONDENT's EXPLANATORY AFFIDAVIT

KINDLY TAKE NOTICE THAT attorneys for the Eighth Respondent in respect of the sixth respondent hereby file the following document:

Document filed: Explanatory Affidavit.

Date on the roll: Not applicable

DATED AT MAHIKENG THIS 08 DAY OF SEPTMEBER 2021

MAENETJA ATTORNEYS

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INRE: 6th Respondent.

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SECOND RESPONENT

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Noth West Province

AND TO: **THE MINISTER: COGTA**

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Arcadia

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Gauteng Province

AND TO: **THE MISTER OF FINANCE**

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North West Province

AND TO: **DITSOBOTLA LOCAL MUNICIPALITY**

FIFTH RESPONDENT

Civic Centre

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Lichtenburg

North West Province

AND TO: **NALEDI LOCAL MUNICIPALITY**

SIXTH RESPONDENT

19A Market Street

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North West Province

C/o Messrs Modiboa

Mr LJ Modiboa

AND TO: **THE PREMIER: NORTH WEST PROVINCE**

SEVENTH RESPONDENT

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Corner James Moroka and University Drive

Mmabatho

North West Province

AND TO: **MAGALIES WATER BOARD**

NINTH RESPONDENT

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North West Province

AND TO: **SEDIBENG WATER BOARD**

TENTH RESPONDENT

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Free State Province.

IN THE HIGH COURT OF SOUTH AFRICA

(NORTH WEST DIVISION, MAHIKENG)

CASE NO: M311/2021

In the matter between:

SAKELIGA NPC	Applicant
and	
THE MEMBER OF THE EXECUTIVE COUNCIL: NORTH WEST PROVINCE: COOPERATIVE GOVERNANCE, HUMAN SETTLEMENT AND TRADITIONAL AFFAIRS	First Respondent
THE MEMBER OF THE EXECUTIVE COUNCIL: NORTH WEST PROVINCE: FINANCE	Second Respondent
THE MINISTER: NATIONAL DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS	Third Respondent
THE MINISTER OF FINANCE	Fourth Respondent
DITSOBOTLA LOCAL MUNICIPALITY	Fifth Respondent
NALEDI LOCAL MUNICIPALITY	Sixth Respondent
THE PREMIER: NORTH WEST PROVINCE	Seventh Respondent
ESKOM HOLDINGS SOC LTD	Eighth Respondent
MAGALIES WATER BOARD	Ninth Respondent
SADIBENG WATER BOARD	Tenth Respondent

EIGHTH RESPONDENT'S EXPLANATORY AFFIDAVIT

I, the undersigned

Maevia Barnes

do hereby state under oath as follows:

INTRODUCTION

1. I am a major female employed by the Eight Respondent as its Senior Legal Advisor, and, for purposes of execution of my duties, stationed at the Eight Respondent's Regulatory and Legal Division at Megawatt Park, Maxwell Drive, Sunninghill – Gauteng Province.

2. The facts herein deposed to are both true and correct. They are within my personal knowledge unless the context thereof indicates otherwise or I expressly state so.

3. I am duly authorised to depose to this affidavit on behalf of the Eighth Respondent. For ease of reference, unless the context requires otherwise, in this affidavit I adopt the following terms when referring to the parties:

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3.1. the Applicant shall be referred to as "**Sakeliga**";

3.2. the First Respondent shall be referred to as the "**MEC Cogta**";

3.3. the Second Respondent shall be referred to as the "**MEC Finance**";

3.4. the Third Respondent shall be referred to as "**Cogta Minister**";

3.5. the Fourth Respondent shall be referred to as "**Minister of Finance**";

3.6. the Fifth Respondent shall be referred to as "**Ditsobotla**";

3.7. the Sixth Respondent shall be referred to as "**Naledi**";

3.8. the Seven Respondent shall be referred to as "**Premier**";

3.9. the Eighth Respondent shall be referred to as "**Eskom**";

3.10. the Ninth Respondent shall be referred to as "**Magalies**";

3.11. the Tenth Respondent shall be referred to as "**Sedibeng**".

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4. I have unlimited access to the documents held by **Eskom** pertaining to the indebtedness of the **Naledi Municipality**. I have perused such documents before deposing to this affidavit and I believe that the contents thereof are true and correct.

5. In this affidavit I address the issue of the escalating debt owed by the **Naledi Municipality** to **Eskom** for the supply of bulk electricity. For convenience, unless stated otherwise, in what follows all references to the **Municipality** are to the **Naledi Municipality**.

6. Where I make submissions of a legal nature in this affidavit, I do so on the strength of the advice that I have received from **Eskom**'s legal representatives which I accept as being correct and I do not necessarily repeat this fact in every instance.

7. At the outset, as the financial figures referred to later in this affidavit show, it is worth bringing to the attention of this Honourable Court that since January 2017 to the end of July 2021, the **Naledi Municipality**:

(i) **has never paid** its monthly electricity bill to **Eskom** **on time**; and

(ii) **has never** paid its monthly electricity bill to **Eskom in full**.

8. The above illustrates the extent of the **Naledi Municipality's** delinquency which occurs despite the fact that it dutifully collects electricity revenue from the ratepayers, businesses such as the applicant, and the residents. What is more, the Municipality fails to pay over to **Eskom** the appropriate electricity revenue it collects as is required by law. Such conduct is unlawful and untenable.

9. As amply illustrated in what follows in this affidavit, over the years, **Eskom** has taken reasonable steps to try and resolve the issue of the **Naledi Municipality's** failure to discharge its monthly and arrear debt for the bulk electricity it continuously receives without fail from **Eskom**. As I show below, **Eskom's** steps have included bringing on board the Provincial Government and the National Government with a view to assisting the delinquent Municipalities to meet their obligations. Despite its best efforts, **Eskom's** steps have not always yielded the desired results. Consequently, this has often left **Eskom** with no option but to resort to the interruption of the supply of electricity to non-paying Municipalities. As is now common cause, the courts have put a stop to interruptions of electricity as a means of exerting pressure on delinquent Municipalities. It is against that

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background that judicial intervention which compels recalcitrant state organs to assist **Eskom** with the discharge of the municipal debt is merited. I submit that such a relief as sought in these proceedings:

9.1.1 puts an end to the rampant culture of non-payment by Municipalities;

9.1.2 compels recalcitrant state organs to intervene by meaningfully assisting **Eskom** to recover the debt for the bulk electricity it continuously supplies to the Municipalities;

9.1.3 fosters the culture of an accountable public administration and this comports with the Constitution; and

9.1.4 is just and equitable since it accords with the rule of law.

10. As is also the case with all Municipalities in the Republic, **Eskom** is a major creditor of the **Naledi Municipality**. It continuously supplies bulk electricity to the Municipalities who in turn are required by law to pay over to **Eskom** an appropriate portion of the electricity revenue they dutifully collect from their residents. As I

show later in this affidavit, the **Naledi Municipality** owes **Eskom** substantial amounts of money relating to the bulk electricity it continuously receives from **Eskom**. As a state organ which is the sole generator of electricity and the distributor to municipalities in the Republic, **Eskom** is duty-bound to place before this Honourable Court information concerning the escalating electricity debt owed by the Municipalities. Accordingly, this affidavit is filed in light of the Constitutional Court's precedent which makes plain that state organs have a duty to participate in proceedings and assist the courts when their statutory functions and duties are implicated. That being so, the duty arises on **Eskom** to file this *'explanatory affidavit'* for the benefit of this Honourable Court so that it could make a just and equitable order.

11. The weight of authority entails that **Eskom**, as a responsible state organ, is duty bound to enter the fray and give full account of the nature and extent of the Municipalities' debt and delinquency. It does so in light of the information it has at its disposal, and this will undoubtedly assist this Honourable Court in ultimately granting a just and equitable relief the effect of which should result in the significant reduction of the electricity debt owed by the Municipalities.

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12. Furthermore, **Eskom** does not oppose the relief sought which entails ensuring that the **Naledi Municipality's** and all other implicated Municipalities' electricity debt for the current accounts in respect of the bulk electricity supplied by **Eskom** is paid regularly on a monthly basis, and that the arrear debt is similarly settled. The Municipalities' persistent delinquency is at odds with the rule of law. That being the case, the relief which seeks to enforce the Municipalities' and the other state organs' compliance with their Constitutional obligations vindicates the rule of law and ultimately redounds in favour of **Eskom**, the businesses and the community. It is in that vein that **Eskom** enters the fray and makes common cause with the relief which compels the payment of the electricity debt owed by the delinquent Municipalities to **Eskom**.

13. What is more, **Eskom** is in a better position to give a helpful account of the nuts and bolts of the electricity reticulation business in the Republic, the impact of non-payment of the municipal electricity debt, the demonstrable good faith negotiations on the part of **Eskom** in attempting to assist the **Naledi Municipality** to comply with the law and the mechanism of the 'special master' relief sought. I will also set out the litany of breaches by the **Naledi Municipality** even though it continues to collect electricity revenue from the ratepayers while failing to pay over the appropriate portion prescribed by law to **Eskom**.

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14. In *Eskom Holdings SOC Ltd v Resilient Properties (Pty) Ltd and Others; Eskom Holdings SOC Ltd v Sabie Chamber of Commerce and Tourism and Others; Chweu Local Municipality and Others v Sabie Chamber of Commerce and Tourism and Others* (663/2019; 664/2019; 583/2019) [2020] ZASCA 185; [2021] 1 All SA 668 (SCA) (29 December 2020) ("the *Resilient (2) decision*)[1], delivered on 29 December 2020, the Supreme Court of Appeal made plain that all state organs have a Constitutional duty to assist one another. That duty also extends to the Provincial government and all its arms which are duty-bound to enter the fray and assist where the Municipality has demonstrated its failure to render service delivery and make good on its obligations, including payment of bulk electricity the Municipality continuously receives from **Eskom**.

15. The above *Resilient* decision made the following key points which I mention below:

15.1 If a Municipality is unable to pay for its electricity consumption, then **Eskom** is duty bound in terms of the Constitution, in particular sec 40 and 41[2] 2 to

[1] Referred to herein after as *"the Resilient/Sabie Business Chamber"*.

[2] Section 41 of the Constitution of the Republic of South Africa, 1996 – principles of cooperative government and intergovernmental relations

assist the Municipality and co-operate to investigate in a collaborative manner the cause of such non-payment;

15.2 If the Municipality's non-payment persists even after the assistance provided by **Eskom**, then the MEC and Provincial Treasury and any other relevant government stakeholder must be approached to assist the Municipality and commence collaborating. All these attempts are aimed at assisting the Municipality with discharging its constitutional mandate to deliver basic services to the community;

15.3 If no resolution is reached on the issue of non-payment, then the relevant National Ministers must be approached for assistance with the non-payment including National Treasury;

Section 41 of the Constitution deals with principles of cooperative government and intergovernmental relations. It provides in relevant part that:
'(1) All spheres of government and all organs of state within each sphere must—
(a) preserve the peace, national unity and the indivisibility of the Republic;
(b) secure the well-being of the people of the Republic;
(c) provide effective, transparent, accountable and coherent government for the Republic as a whole;
...
(h) cooperate with one another in mutual trust and good faith by—
...
(ii) assisting and supporting one another;
(iii) informing one another of, and consulting one another on, matters of common interest;
(iv) coordinating their actions and legislation with one another;
(v) adhering to agreed procedures; and
(vi) avoiding legal proceedings against one another.
Section 41 goes on to state as follows:
'An organ of state involved in an intergovernmental dispute must make every reasonable effort to settle the dispute by means of mechanisms and procedures provided for that purpose, and must exhaust all other remedies before it approaches a court to resolve the dispute.'[2]
The importance of this mandate is then bolstered by subsection (4), which empowers courts to decline entertaining disputes that have not first legitimately travelled through the extra-curial mechanisms designed and available for that purpose.

15.4 Of significance, the SCA found that the Municipality's failure to make payment or inability to pay constitutes a dispute. In those circumstances, a dispute exists between Eskom and the non-paying municipalities. Eskom is then obliged to first exhaust the procedures set out in the Intergovernmental Relations Framework Act 13 of 2005 (IRFA) before interrupting the supply of electricity or resorting to court for litigation;

15.5 Specifically, regard must be had to ss 40 and 41[3] of IRFA before Eskom can avail itself of its power to interrupt the supply of bulk electricity in terms of sections 21(5) of the Electricity Regulation Act 4 of 2006 'ERA'.

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[3] Section 40 of the IRFA, which is headed 'Duty to avoid intergovernmental disputes' provides:

'(1) All organs of state must make every reasonable effort—

(a) to avoid intergovernmental disputes when exercising their statutory powers or performing their statutory functions; and

(b) to settle intergovernmental disputes without resorting to judicial proceedings.

(2) Any formal agreement between two or more organs of state in different governments regulating the exercise of statutory powers or performance of statutory functions, including any implementation protocol or agency agreement, must include dispute-settlement mechanisms or procedures that are appropriate to the nature of the agreement and the matters that are likely to become the subject of a dispute.'

Section 41 'formal intergovernmental disputes', reads:

'(1) An organ of state that is a party to an intergovernmental dispute with another government or organ of state may declare the dispute a formal intergovernmental dispute by notifying the other party of such declaration in writing.

(2) Before declaring a formal intergovernmental dispute, the organ of state in question must, in good faith, make every reasonable effort to settle the dispute, including the initiation of direct negotiations with the other party or negotiations through an intermediary.'

16. The import of the SCA judgment in *Resilient* also entails that the Treasury and the MEC's and Minister's intervention encapsulates acting as some mediator or facilitator to the dispute concerning the Municipality's persistent non-payment and issues relating to whatever financial difficulties faced by the Municipality. The starting point though entails first approaching the MEC, but National Treasury may agree to assist which denotes a discretion but since the issue faced by the Municipality is financial in nature then Treasury is obliged to get involved.

17. Of significance, the SCA found that whatever engagements take place between the state organs, the threshold is that those must be meaningful engagements, and they must all be in an effort to assist the Municipality so it can continue to provide basic service in the discharge of its constitutional mandate to the residents.

18. For the sake of completeness, I must mention that section 44[4] of the MFMA deals with a dispute with regard to organs of state and how it should be dealt with, and that provision is therefore in harmony with IRFA, which requires that such disputes be resolved promptly and by reporting the matter to National Treasury.

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[4] Disputes between organs of state
44. (1) Whenever a dispute of a financial nature arises between organs of state, the parties concerned must as promptly as possibly take all reasonable steps that may be necessary to resolve the matter out of court.
(2) If the National Treasury is not a party to the dispute, the parties –
(a) must report the matter to the National Treasury; and
(b) may request the National Treasury to mediate between the parties or to designate a person to mediate between them.
(3) If the National Treasury accedes to a request in terms of subsection (2), the National Treasury may determine the mediation process.
(4) This section only applies if at least one of the organs of state referred to in subsection (1) is a Municipality or municipal entity.

19. The relevant provisions also further states that the parties may request National Treasury to mediate such intergovernmental disputes. The MFMA and IRFA, the latter being an Act which regulates the conduct of municipalities, state that where a dispute of a financial nature has arisen between state organs it must be dealt with promptly by parties involved in the dispute.

20. I submit that the correct interpretation of the SCA judgment in *Resilient* would further require the following. In line with the SCA judgment and the Acts it relies on, a Municipality which pleads an inability to pay is required to promptly declare its dispute with **Eskom** in order to commence with the 'meaningful negotiations' process. The enabling Acts and their relevant provisions, as referred to above, call for prompt action and expeditious resolution of any dispute between state organs. That being so, it is impermissible and unlawful for the Municipality which pleads inability to pay as impediment to its discharge of its obligations to **Eskom** to delay the process of declaring its dispute with **Eskom** in terms of sections 41 of IRFA and 44 of MFMA. The entire dispute resolution process has to be cost effective, speedy and expeditious.

21. As a starting point, I should mention that **Eskom**'s reasonable efforts to assist the Municipality commenced as early 2017. I demonstrate below, such efforts included assisting the Municipality to enter into repayment plans on terms that were largely favourable and accommodating to the Municipality. However, to date the electricity

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debt owed by the Municipality to **Eskom** keeps on rising despite the interventions by National and Provincial government. These interventions have failed to curb the spiralling electricity debt owed to **Eskom** and such failure is at odds with the spirit and purport of co-operative governance and mutual assistance between state organs as contemplated in the IFRA.

22. I submit that **Eskom** has taken all reasonable steps to try and assist the Municipality and has done so in compliance with the good faith and meaningful engagements requirements as contemplated by IRFA and MFMA. **Eskom**'s efforts to assist the Municipality have included Provincial and National Treasury. Of importance is that because of its technical skills and wherewithal in the distribution of electricity, **Eskom** has embarked upon a co-operative process in a collaborative manner with Ministers of Cogta, Finance, National Treasury and IMTT have endorsed what is known as the 'Active Partnering' to assist all struggling municipalities by taking over their electricity businesses in order to run it efficiently and ensure accountability as called for by the Auditor General. I return to this point later on in this affidavit. Active partnering between **Eskom** and the municipalities that are in financial distress is a form of co-operation and mutual assistance by state organs as contemplated in the IRFA. **Eskom** is able to render such assistance to the municipalities where the latter consent to such assistance. Despite its best efforts, **Eskom** has not received any co-operation from the **Naledi Municipality**. I will set out facts and attach necessary supporting documents to demonstrate the delinquency

of the **Naledi Municipality** and its refusal to meet its public law obligations, including non-payment of its electricity debt it owes **Eskom.**

THE MUNICIPALITY DOES NOT HAVE A GENUINE INABILITY TO PAY DEFENCE

23. I proceed to bring crucial information concerning the **Naledi Municipality** to the attention of this Honourable Court. At the outset, I wish to place it on record that the **Naledi Municipality** does not have a *genuine inability to pay* for the bulk supply of electricity. From the revenue collected from the sale of electricity and its equitable share received in three tranches from Treasury per year the **Naledi Municipality** does have sufficient money to service its electricity accounts from the sale of electricity.

24. I submit that on the objective evidence contained in its financial statements, the **Naledi Municipality** ought to be compelled to keep up with its monthly current account and to enter into an 8-year period repayment plan for discharge of the arrear debt from the monies collected. I say so on the strength of the factual evidence placed before this court on the financial statement for year June 2019 and 2020. The financial information is also contained in the Municipality's annual report. Briefly, the Municipality states the following regarding its financial position in its 2019 report:

- Electricity Bulk Purchases R 312 361 071[5]
- Employee benefit costs R 112 648 876[6]
- Bonuses R 10 971 245[7]
- Leave R 18 227 359[8]
- Sale of prepaid electricity R 74 451 441[9]
- Sale of electricity R 51 592 002[10]
- Equitable Share R 45 616 000[11]
- Integrated National Electrification Programme R 1 504 897[12]
- Employee Related Costs R 153 696 368[13]
- Remuneration of Councillors R 9 419 654[14]
- Bulk purchases R 106 686 545[15]
- Outsourced services (Administrative and Support Staff) R 7 236 330[16]
- Meter Management R 9 670 185[17]
- Electrical (Outsourced staff) R 309 967[18]
- Auditors' remuneration R 3 415 372[19]

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[5] Financial Statement for Naledi, page 42, para 10
[6] Financial Statement for Naledi, page 43, para 11
[7] Financial Statement for Naledi, page 47, para 13
[8] Financial Statement for Naledi, page 47, para 13
[9] Financial Statement for Naledi, page 47, para 15
[10] Financial Statement for Naledi, page 47, para 15
[11] Financial Statement for Naledi, page 49, para 20
[12] Financial Statement for Naledi, page 49, para 20
[13] Financial Statement for Naledi, page 52, para 22
[14] Financial Statement for Naledi, page 53, para 23
[15] Financial Statement for Naledi, page 54, para 27
[16] Financial Statement for Naledi, page 54, para 28
[17] Financial Statement for Naledi, pages 54, para 28
[18] Financial Statement for Naledi, pages 54, para 28
[19] Financial Statement for Naledi, pages 55, para 31

- Fruitless and wasteful expenditure R 233 363 151[20]
- General Expenses R 17 966 478[21]

25. I attach hereto the **Naledi Municipality**'s Financial Statements for the year 2019 as annexure "**ESK – 01**"

26. I proceed to the financial statement for the year 2020, I deal specifically with the electricity reticulation business of the Municipality, and it reveals the following:

- **Sales**
- Prepaid R 75 727 028
- Conventional R57 796 238
- Total sales **R 133 349 266**
- Purchases as per **Eskom** R 92 754 973
- Gross profit margin **R40 741 293**
- Commission paid to vending agents **R 10 033 037**
- Salaries related to electricity **R 7 029 186**
- Amount left for maintenance, material, overheads **R 23 697 070**

27. I wish to state that on a factual analysis of the above figures, both for 2019 and 2020, the **Naledi Municipality** would be able to keep up with its current account on a

[20] Financial Statement for Naledi, pages 59, para 38-39
[21] Financial Statement for Naledi, page 64

monthly basis when it falls due and payable and could afford to enter into an 8-year repayment plan but simply elects not to do so.

28. The **Naledi Municipality** has three points of supply, rendering three separate invoices for each point. Cumulatively in the summer months, the Municipality consumes electricity worth R9 000 000.00 (**Nine Million Rands**) per month and in the winter months it is about R18 566 251 .68 (**Eiteen Million Five handred and sixty six thousand Two hundred and fifty-one rand Sixty-eight cents**) per month. From the amounts collected from the conventional electricity and the vendor payments the current account can be settled when it falls due ansd payable.

29. I reiterate, that on the available financial information as described above, the Municipality ought to be able to pay for its current account on a monthly basis when it falls due and payable, it simply elects no to do so. Also, from the equitable share and the grants received it ought to be able to services the arrear debt, maintain the infrastructure and to pay salaries related to employees working in its electricity reticulation business as set out in the National Energy Regulator of South Africa ('NERSA') guidelines.

30. What is glaring is that the Municipality is in breach of the Constitution, in particular, section 152 which states that a Municipality is required, in terms of section 153 (a) to structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community.

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31. The Municipality refuses to service its debt to **Eskom** from monies collected from the sale of electricity but continues to spend the bulk of funds on employee related costs which include bonuses, outsourcing extra staff and in 2019 the amount spent was in excess of R 140 million **(One hundred and Fourty million)** in 2020 its R190 million **(One hundered and Ninety million)**. These exorbitant amounts on employees alone do not serve the needs of the community and such conduct is unlawful. I must mention that the employee costs of the Municipality who are in the electricity reticulation business only amounts to R 7 million. In a word, the Municipality fails to prioritise the payment of basic services such as electricity as it is required by the Constitution.

32. I must hasten to add that in terms of the *'Determination of the Municipal Tariff Guidelines and the Revision of Municipal Tariff of 20/21'* sets the formula for calculating the costs of Licensees. I submit that, on a proper interpretation of the *Determination,* a licensee such as the Municipality is only allowed to spend 4% of the electricity reticulation revenue on salaries and 73.8% must cover the costs of the bulk supplier which is **Eskom**. The Municipality is clearly in flagrant breach of the *Determination.*

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33. I attach hereto the *'Determination of the Municipal Tariff Guidelines and the Revision of Municipal Tariff for the year 20/21'* as annexure **"ESK-02"**

34. In addition to the outrageously high employee costs of R190 million in 2020 and R140 million in 2019, is the fruitless and wasteful expenditure by the Municipality which is in excess R200 million in 2019. In the 2020 financial report the figure is not stated.

35. The 'cash equivalent' in the year 2020 is R 26 million (**Twenty Six million**) which did not go to the servicing of basic services, and I submit it ought to have been spent in giving effect to such basic services as enjoined by the Constitution. The latter obliges the Municipality to prioritise the payment of basic services such as electricity. However, the Municipality failed to comply with its constitutional obligations and instead remains unaccountable for how it allocates its budgetary resources.

36. On the above-stated factual evidence of the financial statement prepared by it, the Municipality is clearly generating sufficient income from its electricity reticulation business, and from the equitable share it receives from the National Treasury. However, it simply refuses to pay over the appropriate portion to **Eskom**.

37. On the publicly available information in the form of the above-mentioned financial statements, the Municipality cannot justifiably plead poverty or that it is unable to pay **Eskom** for the bulk electricity it continuously receives. In any event, as I further demonstrate later, the Constitutional Court has set a stringent test which a state organ is required to meet before a state organ can readily avail itself of the plea of "inability to pay" or "financial or resource constraints" to escape liability for non-compliance with the discharge of its statutory obligations.

38. The Municipality's failure to account, as required by law, for how it uses the collected electricity revenue is in breach of its statutory obligations and has a deleterious effect on **Eskom**'s developmental role to provide universal electricity in the Republic.

39. The important provisions of section 27 of the ERA which concerns the duties of the Municipality, must be enforced in order to vindicate the rights of the community and **Eskom** and so as to ensure accountability.

40. By way of example, section 27 (i) of the ERA obliges, in peremptory terms, the Municipality to keep a separate financial records of its electricity reticulation business. The import of the latter provision seeks to afford protection to the paying public and creditors of bulk basic services such as **Eskom**. Apart from being a good accounting practice, section 27 (i) ensures that the Municipality's collected electricity revenue will be used for the purpose for which it is meant, and thus avert

the eventuality such as the one which arose in this matter where the Municipality simply fails to account for the proper use of the collected electricity revenue. The result of the Municipality's disregard of its statutory obligations are deleterious to the community, the ratepayers and **Eskom**'s financial substance and continuance as a going concern which generates electricity and distributes it in the Republic. The court has a duty to subject the unlawful conduct of the Municipality to scrutiny. The legislature intended to compel the Municipality's accountability by the inclusion of the provisions of section 27 of the ERA, particularly section 27 (i) of the ERA. To illustrate the correct interpretation and application of section 27 of the ERA, the SCA in *Resilient* and the High Court in the same matter interpreted section 27 (i) of the ERA to mean that the Municipality must ring-fence its electricity reticulation business. This would easily enable the Municipality to track its electricity reticulation business to give effect to the reporting requirement as contemplated in the enabling Act. The provision also ensures that the electricity revenue is strictly used for the payment of electricity and the meeting of the related electricity reticulation business costs.

41. In addition, the Municipality's licence also places an obligation on it to keep a separate account for its electricity reticulation business, and similar provisions are mirrored in the MFMA.

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42. Properly construed, in the series of meetings between **Eskom** and the **Naledi Municipality**, as reflected in the minutes that are attached elsewhere in this affidavit the Municipality's constant assertion is that it is unable to pay Eskom due to a number of reasons but effectively it raises a resource or financial constraints as a defence. However, the Municipality's assertions that it is unable to pay or that it has financial constraints fall short of the touchstone a state organ has to meet as set by the Constitutional Court in its jurisprudence on obligations of state organs. The proper test entails that a state organ which asserts resource constraints is obliged to fully set out the nature and circumstances of such financial and resource constraint. It is further required to make available to the court the full information, including its financial statements accounting for its allocation of resources to meet basic services. In a word, where budgetary constraints are asserted, full disclosure of financial records is called for.

43. In the present matter, the Municipality's financial constraints do not bear scrutiny in light of the objective evidence that it continues to dutifully collect electricity revenue from the residents and its collecting agents (as appearing in the financial statements) while failing to pay over to **Eskom** as it is required by law. I submit that the constitutional foundational value of accountability that state organs have to adhere to requires transparency and proper accounting of scarce resources, the conduct of the Municipality does not conduce to the statutory requirements of an

accountable, open and democratic public service administration that other state organs are obliged to implement in their areas of governance.

44. The current situation where **Eskom** is supplying electricity without payment has the deleterious effect of absolving the municipalities of their public law duties. I submit that the just and equitable relief granted by this Honourable Court entails affording protection to the general public against the municipalities' delinquency and abuse of resources by state organs. Therefore, there is no defence available to the Municipality in light of the objective facts as tendered by the above-mentioned financial statements. The Municipality continues to collect enough monies from its electricity reticulation business and must be compelled to pay over all appropriate portions of such collected revenue to **Eskom**. If the means of achieving this end entails the relief sought by the applicant, then **Eskom** makes common cause with the applicant on such a just and equitable relief.

45. Section 153(1)(b) of the MFMA empowers a Municipality to apply to the High Court for an order suspending its financial obligations to creditors until it is able to meet them. That remedy is only available to a Municipality which experiences genuine financial difficulties. Assuming the Municipality experienced genuine resource constraints, no such application has to date been made. The Municipality has never invoked this provision. This plainly demonstrates that the Municipality is able to pay but simply chooses not to comply with its obligations.

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THE MEANINGFUL ENGAGEMENTS BETWEEN ESKOM AND THE MUNICIPALITY IN TERMS OF THE CONSTITUTION AND IRFA

46. There have been countless meetings between **Eskom** and the **Naledi Municipality** and other relevant stakeholders with a view to resolving the issue of the Municipality's electricity debt to **Eskom**. These meetings have been in the spirit of IRFA and accord with what the Supreme Court of Appeal in *Resilient* has characterised as a 'Political Solution' in its judgment of 29 December 2020. I submit that on a proper assessment of the numerous engagements between the parties, which were all reasonable efforts aimed at resolving the issues/dispute the Municipality had with the payment of bulk supply, **Eskom** has complied with the IRFA process, at least in substance. As amply demonstrated in the applicant's founding affidavit the Municipality simply refuses to make payment and instead prioritises payment of salaries, fruitless and wasteful expenditure and mismanagement of public funds instead of making good on all its payment obligations to **Eskom** for the bulk electricity supplied.

47. In meetings between the Municipality and **Eskom**, the Municipality pleaded poverty and cited, among others, some of the following factors as its reasons for non-payment: - (a) unmetered points, (b) its employees 'refusal to perform their duty, (c) strikes, (d) lack of skilled manpower and(e) the exorbitant salary bill. This is all

contained in the minutes of the 23 July 2019 meeting. I attach hereto the minutes of the meeting between **Eskom** and the **Naledi Municipality** held on 23 July 2019 as **annexure "Esk - 03"**

48. I submit that in terms of its Licence condition the Municipality is obliged to eliminate losses and meter tampering and its failure to do is in contravention of its licence conditions. That being the case, it is impermissible for the Municipality to attempt to justify its delinquency on unmetered points. That justification is bad in law and the massive costs incurred by the Municipality in excess of R190 million on employees amply demonstrates the extent of its mismanagement of public resources and its failure to allocate its budgetary resources for the payment of basic services such as electricity.

49. I submit that, even in the meetings held as recently as April and May 2021, between **Eskom** and the **Naledi Municipality** which sought to resolve the electricity debt owed to **Eskom**, the Municipality has not taken any measures to pay over monies owed to **Eskom** or attempt to curb its unlawful spending. Instead, it still expects **Eskom** to continue supplying it with bulk electricity. The Municipality only makes intermittent payment as and when it pleases. That is untenable and requires strong censure by this Honourable Court which may include the granting of the just and equitable relief in the form of the mandamus sought by the applicant against the Municipality.

50. I proceed to mention some of the several meetings between **Eskom** and the Municipality and other stakeholders. They are recorded in what follows.

51. In April 2018, a meeting took place between the Municipality and **Eskom** in which the ballooning electricity debt was discussed, and the Municipality acknowledged its debt ("the AOD"). That being so, the parties agreed that the Municipality would enter into an AOD in terms of which it will meet its obligations to **Eskom**.

52. On 11 May 2018, The Mayor of the **Naledi Municipality**, acknowledged the aforementioned AOD and made a strong and unequivocal commitment that there would be compliance from the Municipal Council. However, regrettably despite this undertaking the Municipality once again defaulted on its payment obligations.

53. I attach hereto the copy of the letter by the Municipality dated 11 May 2018 as annexure "**ESK- 04**"

54. On 8 August 2018 the Municipality once again defaulted on its payment obligations and breached its commitments in terms of the AOD. As a result of this breach, **Eskom** issued another Notice to the Municipality of its default and threated to commence with its PAJA process with a view to interrupting the supply of bulk electricity to the Municipality if no payment was made. This threat yielded some

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result because the Municipality made payment again and **Eskom** suspended its interruption process.

55. Another meeting took place between **Eskom**, the Municipality and National Treasury wherein the debt was discussed. The Municipality made yet another undertaking to pay **Eskom** and undertook to sign another acknowledgment of debt and repayment plan agreement. The Municipality again reneged on this undertaking.

56. On 8 January 2019, **Eskom** sent another letter to the Municipality highlighting the extent of the electricity debt that was unpaid and the end result of the interruption to the supply of electricity that would eventuate in the event the debt remained unpaid.

57. On 02 February 2019 **Eskom** suspended its PAJA process following a belated payment made by the **Naledi Municipality**.

58. During May and June 2019, **Eskom** met yet again with the Mayor, the Administrator of the **Naledi Municipality**, and other relevant stakeholders to discuss the escalating debt of the Municipality and the series of its defaults on its electricity bill. The meeting resulted in the Municipality paying only R25 million towards the account and not entering into an AOD despite having undertaken to do so as this would avert the interruptions to the supply of electricity that were planned by **Eskom**.

59. I attach hereto the copy of the Minutes of the meeting between **Eskom** and the **Naledi Municipality** and other stakeholders dated and signed on 23 July 2019 as annexure **"ESK – 05"**

60. On 12 August 2019, the Administrator of the **Naledi Municipality** wrote a letter to **Eskom** in which it indicated that the second respondent had been placed under administration in terms of sec 139 (1)(b) and further acknowledged its debt to **Eskom.**

61. I attach hereto the copy of the Letter by the Administrator of the **Naledi Municipality** dated 12 August 2019 as annexure **"E0SK – 06"**

62. On the 31 October 2019 **Eskom** issued another letter to the Chief Financial Officer, the Mayor, the Acting Municipal Manager of the **Naledi Municipality** notifying them of the continuation of the PAJA process with a view to commencing with the interruption to the supply of electricity due to the non-payment by the Municipality.

63. I attach hereto the copy of the Letters dated 31 October 2019 as annexure **"ESK – 07"**.

64. On 23 July 2019, **Eskom** and the **Naledi Municipality** held a meeting in which the rising debt was yet again discussed between the parties. The **Naledi Municipality** indicated the following factors made it difficult for it to honour its payment obligations to **Eskom**:

65. **Unmetered points;**

66. HML (lights) that are on all day;

67. **Colleagues (municipal employees) who refused to discharge their duties;**

68. An ongoing 6-week strike at the Municipality;

69. **Lack of Skilled manpower**; and

70. **Salary bill went up due to the appointment of 243 employees permanently;**

71. On 8 November 2019, the Municipality yet again wrote a letter in which it requested to discuss the scheduled interruptions with **Eskom**. Most importantly, in the letter the Mayor of **Naledi Municipality** said they have **'a cash flow problem' which he said explained the Naledi Municipality's inability to pay**. I pause here to mention that the Mayor's assertion could not be correct because according to the publicly available annual financial report mentioned above in this affidavit, the Municipality in 2020 had a 'cash or cash equivalent of R26 million.

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72. I attach hereto the copy of the Letter sent to **Eskom** by the Mayor of the **Naledi Municipality** dated 08 November 2019 as annexure **"ESK – 08"**.

73. On 12 November 2019, following the request for the meeting the **Naledi Municipality** had made earlier on 8 November 2019 as mentioned above, an agenda was sent to **Eskom** and confirmation of the meeting for 14 November 2019 was reiterated.

74. On 3 December 2019, **Eskom** wrote a letter to the MEC and Premier of the North West Province apprising them of **Eskom**'s intention to interrupt the supply of electricity to the delinquent **Naledi Municipality** as a result of its non-payment. **Eskom** further notified the Premier and the MEC that the scheduled periodic interruptions would commence on 5 December 2019 if payment was not received;

75. I attach hereto the copy of **Eskom**'s Letter to the MEC, and Premier dated 03 December 2019 as annexure **"ESK – 09"**.

76. Despite **Eskom**'s efforts, including its letter referred to above the Premier and the MEC failed to respond to **Eskom**'s letter of 3 December 2019. As a result of the patent refusal by the Provincial Government to intervene, **Eskom** issued a Media statement on 04 December 2019 reminding the public of the intended interruptions

to the supply of bulk electricity to the **Naledi Municipality** it had published on 20 November 2019.

77. I attach hereto the copy of the Media statement dated 04 December 2019 as annexure "**ESK-10**".

78. In its recent attempt to assist the **Naledi Municipality**, on 5 May 2021 **Eskom** made a presentation to the officials of the Municipality regarding its proposed cooperation between the two parties in the form of the 'Active Partnering Agreement' in terms of which **Eskom** would assist the **Naledi Municipality** to discharge its constitutional mandate of supplying electricity to the community. In line with section 41 of IRFA **Eskom** initiated further negotiations with the **Naledi Municipality**. This was followed up by another meeting of **8 April 2021** and **4 June 2021** in which it was laid bare that the Municipality is collecting enough money to pay for the current account in full as and when it falls due but that it simply had no will to do so.

79. **Eskom** in subsequent meetings requested input and or further engagements to negotiate the terms of the proposed Partnering Agreement as the tool by which it sought to assist the **Naledi Municipality** so it could make good on its obligations to pay for its consumption of bulk electricity it receives from **Eskom**. To date, despite numerous enquiries made by **Eskom** and a letter sent to the **Naledi Municipality** regarding the proposed cooperation/Partnering Agreement, the Municipality

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continues to ignore **Eskom** and is clearly not acting in good faith, nor does its unlawful conduct of continuous non-payment serve the interest of the community.

80. In terms of section 41 of the Constitution, **Eskom** and the **Naledi Municipality** are obliged to assist one another as state organs. They are also duty-bound to first exhaust all remedies which entail making reasonable attempts to resolve their disputes before approaching the court. The Active Partnering Agreement proposed by **Eskom** to the **Naledi Municipality** would have been a convenient means through which **Eskom** ensured that the Municipality met its obligations, including the basic service delivery of electricity. However, as stated elsewhere in this affidavit, to date, the **Naledi Municipality** has been uncooperative and deliberately remained supine in the face of **Eskom**'s proposals.

81. I attach hereto a letter sent by **Eskom** on the Active Partnering Agreement to **Naledi Municipality**'s attorneys marked herein as annexure "ESK – 11".

82. I submit that due regard must be had in considering what is fair in the apportioning of the collected revenue to what NERSA stipulates as guidelines for the costs of licensees such as the Municipality. I break it down as follows:

- 73.8% - bulk purchases;
- 6.4 % - repairs and maintenance;

- 4.1% - salaries;
- 1.4% - finance costs;
- 1.4% - NMD penalties;
- 12% - other expenses;
- maintenance.

83. I submit that in the very least, **Eskom** ought to be apportioned 73.8% towards the payment of the current account which is the costs of bulk electricity, 6.4% must be spent on the maintenance and repairs of the infrastructure, 4.1% must be utilized to pay for the salaries of the employees in the electricity.

84. I also find it prudent to mention that in terms of the agreement between the parties and the law, a creditor is entitled to charge interest for late payments. Because of its delinquency, when it does make intermittent payments, the Municipality is always late with its payments. Therefore, by operation of the law interest is then levied which further increases the electricity debt owed by the Municipality even higher.

MEANINGFUL ENGAGEMENTS WITH NATIONAL AND PROVINCIAL GOVERNMENT INCLUDING NATIONAL TREASURY IN COMPLIANCE WITH IRFA AND THE CONSTITUTION

85. As is clear from the above-mentioned steps **Eskom** has taken, it has effectively complied with IRFA by making every reasonable effort in trying to assist the **Naledi Municipality** on the issue of non-payment of its electricity accounts and how to run the electricity reticulation business efficiently and this includes a number of engagements with all the relevant stakeholders. These stakeholders include, Deputy President, the Department of Public Enterprise, Department Public Works and Infrastructure, Department of Co-operative Governance and Traditional Affairs, Department of Water and Sanitation, National Treasury, office of the MEC's, South African Local Government Association ('SALGA') and NERSA.

86. I wish to make it clear that interventions by the respective Ministers and MEC's which is the 1-4 respondents have already taken place. In that regard the Inter-Ministerial Task Team (IMTT) was formed in February 2017 and is chaired by the Minister of COGTA. It has been seized with the issue of resolving the municipalities to **Eskom**. Despite the IMTT existence since 2017, the debt has grown exponentially as is illustrated by the Naledi debt.

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87. I can unequivocally state that several engagements were held over the years at a National and provincial level between the relevant government stakeholders, the focus of which was to assist the municipalities in managing their electricity reticulation businesses and finding solutions to their challenges. Out of those engagements by the IMTT, recommendations were made, and **Eskom** adopted certain concessions in an effort to assist municipalities to pay their debts to **Eskom**, priority being given to the current accounts. Some of the concessions that **Eskom** made include:

87.1. the rationalisation of **Eskom**'s municipal tariffs, decreasing the interest rate from prime plus 5 percent to prime plus 2.5 percent;

87.2. changing the payment period for municipal bulk accounts from 15 to 30 days;

87.3. changing the payment allocation to capital first and then interest and allow municipalities to pay connection charges over a period at a relevant interest rate instead of cash up-front;

87.4. concluding payment agreements and offering suppression of future interest if the municipalities adhere to payment arrangements and pay the current account when it falls due.

88. I pause here to point out that **Eskom** implemented all such concessions as per the recommendations of the IMTT.

89. I attach hereto the recommendations made by the IMTT marked herein as annexure "**ESK – 12**".

90. As far back as 2017 to 2021, **Eskom** has always consistently presented at various parliamentary committees giving status feedback on municipal electricity debt and confirmed the commitment to deal with systemic issues within its purview on the following dates:

90.1 21 February 2017 – Portfolio Committee of Co-operative Governance;

90.2 08 March 2017- Standing Committee on Public Accounts;

90.3 02 May 2017- Standing Committee on Appropriation;

90.4 10 October 2017- Joint Committee on Co-Operative Governance and Public Enterprise;

90.5 17 October 2017-IMTT;

90.6 13 February 2018-IMTT.

91. I must point out that **Eskom** as a responsible state organ has always engaged meaningfully with the relevant stakeholders, including the indebted municipalities, in the IMTT forum and made certain concessions, as mentioned above, in an effort to assist the Municipality to comply with its constitutional mandate of providing

basic services. In that regard the Minister of Cogta sent **Eskom** a letter in which he thanked **Eskom** for its contributions in addressing challenges faced by municipalities and calls for further engagements of the respective Heads of the stakeholder institutions to further engage.

92. I attach hereto a letter by the Minister of Cogta dated 02 November 2018 marked herein as annexure "**ESK – 13**".

93. In **2018** the **Eskom** Technical Task Team 'TTT' was formed on request by the Minister of Coroperative Governance and Traditional Affairs to address the challenges of the non-payment regarding the ballooning municipal debt in collaboration with the National Treasury, COGTA, Department of Public Enterprises, Department of Public Works, Department of Water and Sanitation and SALGA. A progress report by the joint houses of parliament makes plain that the electricity debt is growing, it sets the municipal arrear debt as of April 2021 at R 35.7 billion. Most importantly it states **that "Eskom is promoting and pursuing the Active Partnering model to ensure that we create a sustainable Distribution industry to securing the current account."**

94. I attach hereto the *Progress Report on Resolving Municipal Debt Item B2* dated 28 July 2021 marked herein as annexure "**ESK – 14**"

95. In 2018 Minister of the Department of Energy formed the SALGA/**Eskom** Task Team to address the challenges of the municipalities in paying their electricity debt.

96. There have been 7 follow up meetings/engagements between the stakeholders with the first being 13 July 2018.

97. Another committee was formed which is the **Eskom**/SALGA task team to further engage on several challenges in the industry which include skills shortages, Notified Maximum Demand 'NMD', Tariff design, energy losses, co-operation with municipalities. The challenges identified above, and **Eskom** has agreed to assist by capacity building which will be implemented through a Memorandum of Understanding 'MOU' at **Eskom**'s Learning Academy and on job training.

98. **Eskom** has also appeared before the Standing Committee on Public Administration '*SCOPA 'on the status of municipal debt* on the following dates:

98.1. March 2018, for a briefing on defaulting municipalities, at the time the debt had escalated from R 9.4 billion in March 2017 to R 13.7 billion in March 2018;

98.2. In April and November 2018, **Eskom** submitted updates on municipal debt following the request of the parliamentary SCOPA committee;

98.3. On 19 July 2019 another request to provide an update was received from SCOPA which **Eskom** again honoured.

99. The **Eskom** Task Team in its report dated 07 May 2020, noted that all concessions have been implemented by **Eskom**, despite these concessions the debt keeps on increasing. The report makes plain that the priority of **Eskom** is securing the payment of the current account and it will thus continue to support the municipalities in their challenges as relating to billing, tariffs and collections. It further adds that discussions commenced with SALGA, MISA and COGTA with the aim of Active Partnering to resolve liquidity challenges within the municipalities. This report goes further and states that the IMTT has not achieved the objective of ensuring that debts owed to **Eskom** is paid by the municipalities, during the duration of IMTT the debt has exponentially grown, and **Eskom** did not support the submissions to Cabinet as it did not address the fundamental issue of ensuring payment of the debt.

100. In its conclusion, **Eskom** says it will accelerate Active Partnering to find lasting solutions for the industry.

101. I attach hereto the **Eskom**'s Task Team report dated 07 May 2020 marked herein as annexure "ESK – 14".

102. A Political Task Team 'PTT' chaired by the Deputy President and comprising of the relevant stakeholders has had several engagements relating to the state of municipal debt to **Eskom**.

103. On 14 May 2021, a joint presentation by NT, COGTA, DPE, DPW, DW, SALGA and **Eskom** presented to the PTT on Discussion on Resolving Municipal Debt to **Eskom** and State Organs Debt to Municipalities, most importantly the joint stakeholders agree that the initiative to reduce the electricity debt crisis is through the Active Partnering Arrangement.[22] I attach hereto the copy of the document of the PTT Discussion on Resolving Municipal Debt to **Eskom** as annexure **"ESK - 16"**.

104. I must also point out that over the years **Eskom** has had several engagements with National Treasury in which **Eskom** has consistently pleaded with the National Treasury to assist by at least 'micro managing' the top 20 defaulters who would entail paying **Eskom** appropriate the portion of the top 20 municipal defaulters' equitable share meant for electricity as some sort of 'preferred creditor'. This would ensure that the delinquent municipalities would be held accountable to pay their electricity current accounts as and when they fall due. However, this request by **Eskom** was not acceded to by the National Treasury which instead promised to closely monitor the top 20 defaulting municipalities and ensure that fund budgets

[22] Discussions on Resolving Municipal Debt to Eskom and State Organs Debt to Municipalities dated 14 May 2021 on page 14

would include the payments of the current account. I attach hereto the Letter dated **03 Ocotber 2019** from National Treasury to **Eskom** as **annexure "ESK - 17"**

105. I wish to reiterate that the intergovernmental engagements with provincial and national government regarding the pattern of non-payment of electricity account by the **Naledi Municipality** and other affected municipalities has been discussed at some considerable length by **Eskom** and other state organs, as mentioned above, and measures were put in place in an attempt to assist the municipalities like **Naledi Municipality** to pay for services.

106. On 06 February 2019, the SALGA/**Eskom** Task Team gave a progress feedback to IMTT on the *Development of a Framework Agreement.* I must mention that there have been seven meetings between the parties and the first of such meetings was held on 13 July 2018. These meeting were engagements in which inter alia, debt management, public lighting, co-operation, relationship, tariff design, energy losses,

skills development, the amount of electricity Notified Maximum Demand (NMD) were discussed.

107. I attach hereto the Progress feedback by SALGA/**Eskom** joint Feedback on Development on a Framework Agreement dated 06 February 2019 as annexure "**ESK – 18**".

108. On 03 October 2019, the National Treasury wrote a letter to **Eskom** in which it stated that it has been working closely with IMTT and that it was 'fully aware' of the financial plight of **Eskom** and its sustainability. **Eskom** had made some proposals, which included *inter alia*, that it be paid from the allocations withheld as a preferred creditor, that it be paid directly by large customers and that the municipalities ought to be held accountable for non-payment of their bulk electricity debt. The National Treasury responded to proposals made by **Eskom** by saying it would put the following measures against the Municipality:

108.1. Identified municipalities which are part of the top 75 defaulters would be monitored by provincial and national treasury and robust analysis will be conducted on their reports which means stronger monitoring and oversight

imposed on their report. Expenditure management will be a priority which include the payment of creditors;

108.2. Funds returned from fiscus cannot be diverted to pay **Eskom**;

108.3. Treasury cannot pay **Eskom** as a preferred creditor directly as section 216 (2) of the Constitution is used a last punitive measure, it will not invoke the section with the intention of making payment to a creditor as it considers such action to be unconstitutional;

108.4. It said that large customers cannot pay directly to **Eskom** as this is against the spirit of the legal framework for local government.

109. I find it apposite to quote this important passage from Treasury:

> *"It says although some of the proposals above may seems as worthy solutions, practically they may not be possible to implement. I agree that in many instances the municipalities have transgressed but unless some sort of relief is offered to them they will not recover."*

110. It further states that '*Provincial and National Treasury departments are committed to intensifying support and ensuring that budgets are funded with the inclusion of payments of current invoices.*'

111. I attach hereto the letter from the National Treasury titled *'Proposal For the Restructuring of Debt Owed to Eskom By Municipalities'* and addressed to the CEO of **Eskom** dated 03 October 2019 marked as **annexure "ESK – 19".**

112. **Eskom** responded to the aforementioned letter from the National Treasury.. In its response Eskom acknowledged that the National Treasury could not implement some of the proposals made by **Eskom** previously, however indicated that there was some alignment on the following topics:

112.1. National Treasury ensuring that budgets of municipalities are funded, and current account provided for;

112.2. Stronger supervision of municipalities to adhere to budgets;

112.3. Ring fencing of arrear debt to contain its growth;

112.4. Possible writing off's subject to identified performance conditions and possible national treasury contributions to write offs;

112.5. Devising of a support plan to address financial challenges and re-aligning of resources;

112.6. Enforcement of compliance and possible invocation of section 219.

113. **Eskom** conclude the letter by saying it will arrange a meeting as soon as possible with National Treasury to start the process of engagement as the intervention is the much-needed assistance **Eskom** needs.

114. I attach hereto **Eskom**'s letter addressed to the Director-General of the National Treasury; Mr Mogajane marked herein as annexure "ESK – 20".

115. In 2019 the CEO of **Eskom** wrote a letter to the Minister in which the concern of **Eskom** is made clear regarding the lack of progress and direction, as well as the inaccuracies in the report prepared for SCOPA which had been presented as 'joint presentation' when **Eskom**'s views are not being accurately reflected. **Eskom** pointed out that it implemented all concessions as per the resolution of IMTT that were within their powers, except for the reduction of the municipal tariff which was not approved by NERSA after **Eskom** submitted proposals.

116. On 18 March 2020, **Eskom** had to update (SCOPA) on matters relating to the municipal debt. The report goes into great detail on the growth of the municipal debt from 2014/2019, and further breaks down the age of the debt and gives progress regarding **Eskom**'s effort in trying to recover the debt.

117. The report also makes mention of discussions that had already commenced between **Eskom**, SALGA, MISA and Cogta which sought to implement the Active Partnering Agreements with a view to resolving the liquidity challenges experienced by the indebted municipalities.

118. I pause here to mention that the **Naledi Municipality** is specifically identified in the report as the first beneficiaries of the Active Partnering Agreement project which sought to improve the cash flow, reduction of losses and dealing with the culture of non-payment. The report goes further and emphasises the following in respect of the electricity debt owed to **Eskom**:

118.1 funded budget and that no council must adopt an unfunded budget.

118.2 It also states that payment of the current account must be honoured and realistic payment arrangement.

118.3 Engage with **Eskom** on the matter of debt restructure with special focus to curb the compounding interest and penalties.

119. I attach hereto the report to SCOPA on municipal debt by COGTA dated 18 March 2020 marked as annexure "**ESK – 21**".

120. On 28 January 2021, **Eskom** requested a meeting with NERSA the purpose of which was the following:

120.1. to request assistance with the management of municipal debt and energy losses strategy;

120.2. share its strategy regarding the management of municipal debt and energy losses.

121. **Eskom** makes it clear that its goal is to co-operate with all stakeholders and identify amicable solutions and finding common ground on strategies.

122. I attach hereto **Eskom** letter of the urgent request letter to NERSA dated 28 January 2021 marked herein as annexure **"ESK – 22"**.

123. I must hasten to add the NERSA document on *Status on Compliance to NERSA Regulations by Municipalities and Eskom Engagements* dated 19 February 2021 clearly states that:

123.1 NERSA has the obligation to enforce licence conditions and does not on its own revoke a licence through a regulatory process;

123.2 that 100% of municipalities in North-West Province are not compliant with their electricity licence conditions as issued by NERSA and there is 0% improvement.

123.3 It further states that bulk accounts must be paid and maintained as current. Electricity reticulation businesses must be ring fenced from the rest of the municipal service. Only one Municipality has

ring fenced its electricity business, in others there is cross-subsidisation of municipal services.

123.4 This report concludes that NERSA has to follow a regulatory process towards a tribunal despite pending court processes.

124. NERSA notes that municipalities owing **Eskom** more than 15 billion collectively have been served with Tribunal Notices. The pleading process is expected to be completed by first week of March 2021.

125. I attach hereto the NERSA document dated 19 February 2021 annexed hereto as annexure "**ESK – 23**".

126. On 14 May 2021, a joint presentation was made to the Political Task Team between National Treasury, Department of Co-operative Governance and Traditional Affairs, Department of Public Enterprises, Public Works and Infrastructure, Water Sanitation, SALGA and **Eskom**. The presentation again highlighted the following:

126.1. Weak governance at municipalities failing to deliver services, billing for services and collecting revenue due;

126.2. No cash flow to pay creditors like **Eskom** and Waterboard within 30 days as required by law;

126.3. Year on year audit comes increase the irregular and fruitless expenditure.

127. The report further mentions, *inter alia*, initiatives that will assist the Municipality in reducing the debt crisis. It reads '*Pursue support from Eskom through the Active Partnering Agreement within the Legislative prescripts.*

128. I also have to mention that the recommendations in the report agree that punitive legal measure such as invoking s216 (2) of the Constitution to restore compliance must be utilised.

129. On 18 May, 15 and 22 June and 21 July 2021, the **Eskom** Task team continued to have engagements and communicate with all stakeholders regarding the proposed interventions.

130. I attach hereto the agenda of the meeting of 21 July 2021 as further demonstration of **Eskom**'s attempts to resolve the municipal debt marked herein as annexure "**ESK – 24**".

131. On 07 May 2020, **Eskom's** Task Team reported the following:

131.1. Municipal arrear debt has increased from 19.9 billion as at March 2019 to 28.04 billion as at March 2020 (an increase of 8.2 billion over the past 12 months);

131.2. Despite **Eskom**'s concessions which included reducing interest rates, extended payment days and payment allocations to capita, municipalities' delinquency escalated.

132. I proceed to briefly refer to another report titled 'Progress Report on Resolving Municipal Debt to **Eskom**' dated 28 July 2021. The latter is a joint presentation by the National Treasury, COGTA, DPE, DHSWS, SALGA and **Eskom** and stated the following:

132.1. The debt has increased by R 311 million to R 35.7 billion by the end of April 2021;

132.2. **Eskom** is pursuing the Active Partnership model to ensure that it creates a sustainable Distribution industry securing the current account;

132.3. Significantly, the **Naledi Municipality** is in the top 20 of defaulting municipalities. The debt continues to grow on a monthly basis and its electricity debt as at the end of April 2021 stood at a staggering amount of R 435 million;

132.4. There have been campaigns (themes and objectives) to grow responsible citizenry for the community to pay for municipal services.

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133. As recent as 27 August 2021, Eskom held yet another engagement with Provincial Cogta and the municipalities in the North West, including Naledi to discuss the debt with no resolution.

134. I submit that from the above that **Eskom**'s intergovernmental engagements with all stakeholders and seeking assistance from all the necessary organs of state, **Eskom** has taken all reasonable steps to try and assist the indebted municipalities like Naledi.

135. I wish to reiterate that the order sought is within this Honourable Court's power which entails making a just and equitable remedy against the delinquent municipalities as bearers of constitutional and statutory obligations towards the residents. The fact that the end-users of electricity contend that they dutifully pay the **Naledi Municipality**, but the latter fails to pay over to **Eskom**, as required by law, justifies a just and equitable remedy which balances the interests of **Eskom**' financial sustainability with the residents' basic needs including the supply of electricity.

136. The interests of **Eskom** and the residents are not mutually destructive. On the contrary, if **Eskom** is paid by the **Naledi Municipality** it is placed in a good financial position to discharge its developmental role of electrifying in the Republic. By contrast, the **Naledi Municipality**'s refusal to pay for its consumption is inimical

to accountable public administration and deleterious to **Eskom**'s and the residents' interests.

137. On the undisputed and common cause evidence the Municipality has consistently acted in breach of its constitutional, statutory and contractual obligations by collecting revenue for electricity from the ratepayers but failed to use it for the purpose for which it was collected, which is the payment of **Eskom**.

138. The Municipality and **Eskom** are two state organs with equality of arms and each with distinct allocation of constitutional and statutory obligations, the assessment of their respective obligations has to be made in terms of the various provisions of statutes which set out clearly the respective obligations of each state organ.

THE DEMONSTRABLE FAILURE OF THE MUNICIPALITY TO PAY FOR ITS CONSUMPTION OF ELECTRCITY

139. Given that the **Naledi Municipality** has remained supine and chooses not to share any information about its financial affairs, including factors accounting for its failure to discharge its debt to **Eskom**, it remains unknown which creditors the Municipality chooses to pay or what is spent on fruitless and wasteful expenditure ahead of suppliers of bulk essential services like **Eskom**. The Municipality's conduct is untenable and unlawful. It is at odds with the jurisprudence of the SCA and the Constitutional Court which has consistently required municipalities to

structure their financial budgets in a manner that prioritizes basic services like water and electricity, above all else. The Municipality's conduct is unlawful and prejudices its residents and **Eskom**.

140. To demonstrate the Municipality's delinquency which predates 2017, I inset below a spreadsheet of payments vis -a -vis consumption but for the sake of brevity I only commence from January 2017 to date. The following table illustrates the **Naledi Municipality**'s delinquency. It shows the extent of its default despite continuously receiving bulk electricity from **Eskom**. The **Naledi Municipality**'s debt to **Eskom** from January 2017 to July 2021 is as follows:

Account number 6757742615	**Account number 264448728**	**Account number 7778082122**	**Bulk electricity supplied to muni-cipality (monthly)**	**Payment received from Municipality**	**Payment outstanding**
January 2017	Jan 2017	January 2017	R 9 332 559,74	R 10 532 096,45	R 214 645 839,83
Feb 2017	Feb 2017	February 2017	R 9 057 476,45	R 11 086 859,52	R 5 471 080,22 (PA)
March 2017	March 2017	March 2017	R 9 614 575,57	R 0,00	R 15 085 655,79
April 2017	April 2017	April 2017	R 18 203 945,52	R 1 581 760,26	R 31 707 841,05

Account number 6757742615	Account number 264448728	Account number 7778082122	Bulk electricity supplied to muni-cipality (monthly)	Payment received from Municipality	Payment outstanding
May 2017	May 2017	May 2017	R 9 050 636,81	R 768 798,36	R 221 672 115,26
June 2017	June 2017	June 2017	R 12 826 431,79	R11 690 318,96	R 222 808 228,09
July 2017	July 2017	July 2017	R 13 217 187,18	R 0,00	R 236 025 415,27
August 2017	August 2017	August 2017	R 12 875 297,02	R 23 591 229,92	R 225 309 482,37
Sept 2017	Sept 2017	Sept 2017	R 9 494 009,78	R 762 339,49	R 250 404 093,44
October 2017	Oct 2017	October 2017	R 9 012 947,45	R 4 745 503,00	R 254 671 537,89
Nov 2017	Nov 2017	Nov 2017	R 9 050 932,84	R 8 130 000,00	R 255 592 470,73
Dec 2017	Dec 2017	Dec 2017	R 9 268 282,96	R 0,00	R 264 860 753,69

Account number 6757742615	Account number 264448728	Account number 7778082122	Bulk electricity supplied to muni-cipality (monthly)	Payment received from Municipality	Payment outstanding
January 2018	Jan 2018	January 2018	R 9 949 503,94	R 0,00	R 274 810 257,63
Feb 2018	Feb 2018	February 2018	R 9 490 651,22	R 17 592 375,50	R 266 708 533,35
March 2018	March 2018	March 2018	R 8 718 641,44	R 0,00	R 275 427 174,79
April 2018	April 2018	April 2018	R 8 046 492,24	R 11 495 917,16	R 271 977 749,87
May 2018	May 2018	May 2018	R 5 981 314,68	R 7 377 828,86	R 6 649 978,06 (PA)
June 2018	June 2018	June 2018	R 10 211 183,96	R 14 668 663,38	R 2 192 498,64
July 2018	July 2018	July 2018	R 11 711 000,63	R 14 668 663,38	R 25 920 560,15
August 2018	August 2018	August 2018	R 10 820 990,53	R 4 530 318,16	R 33 418 022,78
Sept 2018	Sept 2018	Sept 2018	R 7 657 125,94	R 21 382 971,39	R 21 134 747,49
October 2018	Oct 2018	October 2018	R 7 935 012,17	R 10 162 403,75	R 18 907 355,95
Nov 2018	Nov 2018	Nov 2018	R 9 570 019,53	R 9 771 492,26	R 30 705 391,31

Account number 6757742615	Account number 264448728	Account number 7778082122	Bulk electricity supplied to muni-cipality (monthly)	Payment received from Municipality	Payment outstanding
Dec 2018	Dec 2018	Dec 2018	R 7 207 214,89	R 16 000 000,00	R 21 912 606,24
January 2019	Jan 2019	January 2019	R 7 697 675,43	R 14 700 000,00	R 18 876 401,69
Feb 2019	Feb 2019	February 2019	R 6 660 759,98	R 7 500 000,02	R 18 037 161,67
March 2019	March 2019	March 2019	R 7 062 173,41	R 12 476 799,40	R 24 772 535,72
April 2019	April 2019	April 2019	R 6 303 227,84	R 8 112 272,58	R 24 313 491,00
May 2019	May 2019	May 2019	R 6 561 354,39	R 2 200 000,00	R 235 964 646,26
June 2019	June 2019	June 2019	R 13 090 189,31	R 0,00	R 272 641 325,10
July 2019	July 2019	July 2019	R 16 801 656,62	R 0,00	R 289 442 981,72
August 2019	August 2019	August 2019	R 15 207 027,21	R 25 000 000,00	R 279 650 008,94

Account number 6757742615	Account number 264448728	Account number 7778082122	Bulk electricity supplied to muni-cipality (monthly)	Payment received from Municipality	Payment outstanding
Sept 2019	Sept 2019	Sept 2019	R 10 345 246,40	R 0,00	R 289 995 255,36
October 2019	Oct 2019	October 2019	R 11 602 539,91	R 0,00	R 301 597 795,28
Nov 2019	Nov 2019	Nov 2019	R 11 026 842,80	R 0,00	R 312 624 638,10
Dec 2019	Dec 2019	Dec 2019	R 10 168 755,12	R 6 500 000,00	R 316 293 393,23
January 2020	Jan 2020	January 2020	R 11 579 695,85	R 0,00	R 327 873 089,10
Feb 2020	Feb 2020	February 2020	R 10 502 097,13	R 0,00	R 338 375 186,22
March 2020	March 2020	March 2020	R 10 822 236,56	R 10 000 000,00	R 339 19 7422,80
April 2020	April 2020	April 2020	R 6 975 693,60	R 0,00	R 346 173 116,42

Account number 6757742615	Account number 264448728	Account number 7778082122	Bulk electricity supplied to muni-cipality (monthly)	Payment received from Municipality	Payment outstanding
May 2020	May 2020	May 2020	R 7 719 473,01	R 0,00	R 353 892 589,45
June 2020	June 2020	June 2020	R 13 684 548,09	R 7 719 473,03	R 359 857 664,52
July 2020	July 2020	July 2020	R 15 059 367,27	R 8 337 860,81	R 365 917 031,80
August 2020	August 2020	August 2020	R 14 112 732,91	R 1 520 609,36	R 380 029 764,72
Sept 2020	Sept 2020	Sept 2020	R 8 885 755,18	R 1 500 000,00	R 387 415 519,87
October 2020	Oct 2020	October 2020	R 9 573 186,50	R 0,00	R 396 988 706,42
Nov 2020	Nov 2020	Nov 2020	R 9 565 627,39	R 0,00	R 406 554 333,81
Dec 2020	Dec 2020	Dec 2020	R 9 647 738,80	R 3 000 000,00	R 413 202 072,62

Account number 6757742615	Account number 264448728	Account number 7778082122	Bulk electricity supplied to muni-cipality (monthly)	Payment received from Municipality	Payment outstanding
January 2021	Jan 2021	January 2021	R 8 998 138,79	R 0,00	R 422 200 211,43
Feb 2021	Feb 2021	February 2021	R 8 818 017,77	R 0,00	R 431 018 229,21
March 2021	March 2021	March 2021	R 9 659 331,29	R 0,00	R 440 677 560,50
April 2021	April 2021	April 2021	R 8 871 203,14	R 0,00	R 449 548 763,64
May 2021	May 2021	May 2021	R 9 635 575,73	R 0,00	R 451 460 058,36
June 2021	June 2021	June 2021	R 15 046 668,45	R 10 000 000,00	R 464 231 007,70
July 2021	July 2021	July 2021	R18 566 251.68	R0. 00	R482 797 260.00

141. From the table above it is clear that the Municipality's debt is growing and needs to be curbed, the only sustainable way in doing it is by making sure that the Municipality's electricity current account is paid monthly in full when it falls due, and this can be enforced by means of the mandamus sought against the Municipality.

On a proper analysis of the above table, there are 21 months of no payment out of 55 months. The remaining months are short payments. Properly construed, there is no month where the current account is paid on time let alone the arrear debt. Which means the amounts always inevitably attract penalties and interest. If this pattern is allowed to continue then in another year the debt would have grown even bigger and escalate beyond the figure of R1 billion. This will render the debt unmanageable and difficult to service. This would be untenable.

142. Those months in which the Municipality pays slightly higher amounts are when it has received its equitable share which is paid by Treasury at least three times a year in March, July and December, respectively.

143. I must also reiterate that the **Naledi Municipality** has been in the top 20 defaulting municipalities which owe **Eskom** since the year 2008, 2011 and 2017 From the above table it is clear that the debt continues to grow. It is safe to say that another two years the debt will escalate over the Billion Rand mark, and that eventuality can only be to the detriment of **Eskom**, the businesses and every citizen of the country.

144. The true import of **Eskom**'s objective as set out in the **Eskom**'s Conversion Act[23]. The relevant clause states that:

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23 Eskom Conversion Act 13 of 2001

"6 Memorandum and articles of association of Eskom

(5) When entering into the Shareholder compact as well as in determining the articles of association, the Minister must take into account the following:

(a) The developmental role of Eskom Holdings Limited; and

(b) The promotion of universal access to, and the provision of, affordable electricity, taking into account the cost of electricity, financial sustainability and the competitiveness of Eskom." (Own emphasis)

145. The developmental role played by **Eskom** is determined by other factors which consist of: (i) the cost of electricity, (ii) the financial sustainability of **Eskom**, and (iii) **Eskom**'s competitiveness. All these factors turn on the financial resources **Eskom** requires to stay afloat if it is to continuously discharge its developmental role. On the undisputed facts of the matter, the **Naledi Municipality**'s failure to meet its obligations and pay **Eskom** has precipitated an untenable financial situation as a result of which **Eskom** finds itself in the present predicament. **Eskom** is in a financial crisis and is owed over R35 billion (**Thirty five Billion**) by municipalities like Naledi who simply refuse to make payment.

Eskom with no revenue to sustain its generation and supply of electricity. The Municipality's failure to pay **Eskom** as required by law also adversely affects **Eskom**'s developmental role. It also places the entire Republic and its residents at risk since **Eskom**'s financial sustainability is dependent on its payments by the Municipality. The legislature must have assumed that there would be no major financial problems since **Eskom** collects its revenue for its operations from its customers who are mainly Municipalities, who are bearers of constitutional obligations. There is a duty on state organs to act in good faith and meet their obligations.

149. I submit that the principle of reciprocity enshrined in the statutory regime that governs the generation, distribution and transmission of electricity entails that municipalities are duty-bound to pay, as a matter of law, for the bulk electricity services rendered to them since they continue to collect revenue from the residents and the ratepayers.

150. The Constitution in terms of section 41 (f)[24] does not place the obligation of providing electricity to the residents on **Eskom**. The direct obligation is placed on municipalities and **Eskom**'s role is also set out in its governing statutes, the Conversion Act and the ERA.

[24] Not assume any power or function except those conferred on them in terms of the Constitution

151. I must mention the statutory mandate of **Eskom**'s developmental role with regard to the "cost of coal", "**Eskom**'s financial sustainability", and "**Eskom**'s competitiveness". The Municipality's non-payment hardly conduces to **Eskom**'s developmental role which is at the core of its mandate in the Republic.

152. The deleterious effect of the conduct of the Municipality whilst continue supplying without payment is as follows: it impermissibly intrudes into the terrain of another branch of government by making an order which bears adversely on **Eskom**'s financial and budgetary planning by compelling it to continue supplying electricity in circumstances when it is not receiving any payment, as prescribed by law, for the service.

153. The above makes inroads into **Eskom**'s financial and budgetary planning because it subverts the legislative scheme of the ERA which places obligations on municipalities to pay over to **Eskom** the appropriate revenue they collected from the residents. In turn, such collected revenue funds **Eskom**'s operational projects, including its generation capacity. **Eskom** is the sole generator of electricity in the Republic. Such generation is dependent on the collected electricity revenue. The municipalities' failure to pay **Eskom** has a deleterious effect on **Eskom**'s sustainability and the residents in the entire Republic who are dependent on its generation and distribution capacity.

154. The Constitutional provision in s41[25] finds applicability and states that state organs must assist and support one another. This entails mutual obligations of state organs to render mutual assistance, as permitted and prescribed by their respective statutes, to each other. On the undisputed facts, the **Naledi Municipality** has failed to assist **Eskom** by collecting electricity revenue but failing to pay over to **Eskom** the appropriate portion of the electricity revenue due to it to enable so it could discharge its mandate.

155. At any rate, the supine attitude adopted by the **Naledi Municipality** towards its obligations to **Eskom** and the residents hardly conduces to accountable governance, is unlawful and merits the attention of this court. The court must vindicate the rights of **Eskom** and the residents by granting a just and equitable order which shows its displeasure at the Municipality's unlawful conduct.

156. The financial hardship experienced by **Eskom** is unwarranted since the **Naledi Municipality** continues to enjoy the supply of bulk electricity without making the corresponding payment as required by law. **Eskom**'s financial situation is dire, its coal suppliers have to paid within 14 days of delivery of the coal. Without the

[25] (h)(ii) assisting and supporting one another

assistance of the Municipality by making the corresponding payment it cannot fulfil its universal mandate as contemplated by the constituent Act.

THE RELATIONSHIP BETWEEN ESKOM AND THE NALEDI LOCAL MUNICIPALITY

157. The relationship between **Eskom** and the Municipality, is governed by the provisions of the (**'ERA'**) and the electricity supply agreements (**'ESA'**) entered into between the parties. The ESA serves as a sum total agreement between the parties on the capacity required and the Notified Maximum Demand ('NMD') which takes into account the infrastructure used to supply it. It also makes provision for the payment obligations of Naledi, and the dispute mechanism used in the event of a dispute ensues between the parties.

158. **Eskom** supplies electricity in terms of the ESA entered into between **Eskom** and the **Naledi Municipality**, all three agreements are essentially the same, save for the capacity contracted for and the name change of the Municipality. The above Transitional representative councils were abolished, and their new areas were merged into a new 'Naledi' Municipality.

159. The Municipality has different points of supply each with a distinct account number. For ease of reference the electricity supply agreements were entered into in the following years:

159.1 23 April 2004 with reference number 6757742615;

159.2 10 May 2016 with reference number 7264448728;

159.3 30 October 2000 with reference number 7778082122; and

159.4 01 August 2007 with reference number 8818071795.

160. In terms of the ESA, **Eskom** supplies electricity to the Municipality in bulk and would thereupon send monthly invoices to be paid within 30 (**Thirty**) days so as to not attract interest for late payment. I wish to make it plan that the latter account with R 3 341 826.61 (**Three Million three and forty-one thousand eight hundred and twenty-six hundrand sixty-one cents**) is wholly funded by government as it's the Free Basic Electricity (FBE) for indigent persons. Despite the government funding it and **Eskom** continually supply this electricity, the Municipality refuses to pay over same.

161. For the sake of completeness, the material terms of the ESA lays bare the payment obligations of the Municipality, and are as follows:

161.1. **Eskom** agreed to supply all electricity required by the Municipality for its distribution and for on-sale to the residents within the municipal borders of the Municipality;

161.2. The Municipality agreed to take and/or receive all electricity from **Eskom** for its distribution and for on-sale to the residents within the municipal borders of the Municipality;

161.3. The Municipality agreed that the prices payable by it for electricity supplied or made available in terms of the agreement shall be the Megaflex prices as prescribed in the Schedule of Standard Prices attached to the agreement;

161.4. The Municipality agreed that electricity accounts for all charges payable under the agreement shall be sent to it as soon as possible after the end of each month;

161.5. **Eskom** agreed to send all electricity accounts for all electricity charges to the Municipality on a monthly basis;

161.6. The Municipality agreed that each account shall be due and payable on the date the account is received by it;

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161.7. The Municipality agreed that all amounts outstanding shall bear interest compounded monthly from the due date to date of payment, at a rate per annum equal to the prevailing prime overdraft rate charge by the First National Bank of Southern Africa plus 5% (five per centum);

161.8. The Municipality agreed that **Eskom** shall have a right to adjust the charges for electricity supplied in accordance with the provisions of the Electricity Act as amended or re-enacted and with the approval of the National Electricity Regulator;

161.9. The Municipality agreed that in the event of it disputing any account, it shall not be entitled to reduce and or set off its debt or defer payment thereof beyond a period of 10 (ten) days from the date the account became due and payable but shall settle the account in full pending the resolution of such dispute;

161.10. The Municipality agreed that if there is any error on the account, the Municipality shall be entitled to pay, in *lieu* of the amount claimed in the account, an amount equal to the average of the accounts rendered for the preceding three consecutive months;

161.11. The Municipality agreed that in the event of it being overcharged, **Eskom** shall credit the Municipality's electricity account or reimburse it with the total amount overcharged;

161.12. The Municipality agreed that a certificate given under the signature of a duly authorised employee of **Eskom** setting out the amount due and payable by the Municipality at any time in terms of the agreement, shall be sufficient and *prima facie* proof of the Municipality's debt for purposes of insolvency and legal proceedings and the obtaining of provisional sentence;

161.13. The agreement constitutes the sole and entire agreement between the parties and supersedes all previous negotiations, arrangements or agreements in relation to the bulk electricity supply;

161.14. No variation, modification or waiver of any of the terms of the agreement or consent to any departure therefrom shall in any way be of any force or effect unless confirmed in writing and signed by the parties;

161.15. Any failure, delay, relaxation or indulgence on the part of either party in enforcing any terms of the agreement, shall not be deemed or construed as a waiver thereof;

161.16. The Municipality is obliged to furnish **Eskom** with security should at any time it be in arrears with the payment of account which are due within 30 days of being called to do by **Eskom**. The security shall be such as is acceptable to **Eskom** and the convertible value shall be sufficient to cover the estimated amount payable by the Municipality for the bulk supply during any period of 3 (three) consecutive months.

162. If a genuine dispute arises between the parties resort must first be had to the provisions of the ESA and the internal remedies prescribed by section 30 of the ERA.

163. I attach hereto the above-mentioned electricity supply agreement ("the ESA") entered into between **Eskom** and the **Naledi Municipality** and dated 15 September 1999 marked **annexure "ESK – 25"**

164. I also wish to state that over the years, the Municipality has entered into more than 6 (Six) acknowledgments of debt and repayment plans for its electricity debt to **Eskom**. The terms of all the acknowledgments of debt are the same. I therefore deal with only two such AODs and Repayment Plans.

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165. The Payment Plan Agreement took into account the Municipality's own professed means to repay the debt owed to **Eskom**. It considered the representations made to **Eskom** by the Municipality concerning its ability to meet its financial obligations.

166. On 17 February 2017 the Municipality signed an acknowledgment of debt and repayment plan. In terms of the AOD the Municipality acknowledged its indebtedness to **Eskom** in the sum of the amount of R 215 845 374.54 (Two Hundred and Fifteen Million Eight Hundred and Forty-Five Thousand Three hundred and Seventy-Six Rand and Fifty-Four Cents) for electricity supplied to it by **Eskom**.

167. In terms of clause 4 of the AOD the Municipality undertook to pay its debt in monthly instalments starting or on before 31 January 2017.

168. In terms of clause 5 of the AOD the Municipality undertook to pay all the current accounts timeously and as and when they become due and payable in terms of the ESA.

169. Clause 6.1 of the AOD provided that in the event of breach by the Municipality in the payment of any of its monthly instalments the full balance owing on the debt at the relevant time, together with the current account then due, shall become due and payable.

170. Clause 6.1 provided that:

> *"Should the Municipality default in the payment of any one of the instalments mentioned above, is placed under judicial management or administration, or it enters into a compromise with creditors. The full balance owing on the debt at the relevant time shall become due and payable."*

171. I attach hereto a copy of the Acknowledgment of Debt and Repayment Plan by **Naledi Municipality**, dated 17 February 2017 marked as annexure **"ESK – 26"**.

172. On 27 January 2017 the Municipal Council passed a resolution which endorsed the proposed repayment plan for the settlement of the **Naledi Municipality**'s debt to **Eskom**. Despite the intervention of the Mayor and his assurances to **Eskom**, the Municipality still defaulted on its payment obligations to **Eskom** notwithstanding that the Municipality is making profits from the sale of electricity.

173. I attach hereto a copy of the Special Council Meeting Resolution Minute dated 27 January 2017 marked herein as annexure **"ESK – 27"**.

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174. Pursuant to the above-mentioned council resolution, the Municipality entered into another acknowledgment of debt and repayment plan agreement. The latter contained a detailed time-table schedule of dates on which the Municipality would pay **Eskom** similar to the 2017 AOD. The repayment plan is encapsulated in clause 4 of the AOD. The commencement of the payment was to be on or before 31 July 2018 and the last instalment was scheduled for 31 March 2023.

175. I attach hereto a copy of the Acknowledgment of Debt and Repayment Plan by **Naledi Municipality**, dated 15 May 2018 marked herein as annexure **"ESK – 28"**.

176. In 2019 another AOD suspending future interest was entered into by the parties on 12 August 2019, on similar terms as all previous AODs with a different payment schedule was meant to commence on or before 31 August 2019 and to end on 31 January 2023.

THE MUNICIPALITY'S DUTY TO ACT IN GOOD FAITH AS A STATE ORGAN

177. I submit that the court must enforce the Municipality's duty to act in good faith in its dealings with **Eskom**. That is so because the Municipality has consistently breached its obligations without justification. The duty to act in good faith by a state organ is firstly entrenched in the Constitution. In that regard, section 40 of the Constitution provides as follows:

Constitution's, s 40:

"The principles of co-operative government and intergovernmental relations recognised by the Constitution include the duty of all spheres of government and all organs of state to "co-operate with one another in mutual trust and good faith by –

(i) fostering friendly relations;

(ii) assisting and supporting one another;

(iii) informing one another of, and consulting one another on, matters of common interest;

(iv) co-ordinating their actions and legislation with one another;

(v) adhering to agreed procedures; and

(vi) avoiding legal proceedings against one another." (s 41(1)(h))

178. I submit that the court as the last arbiter has a duty to hold to account the Municipality as a state organ for its well documented failure to act in good faith. This duty entails dealing with other functionaries and state organs alike in a manner that provides support to them. The Municipality's failure to pay over to **Eskom**

what it collects, despite numerous written acknowledgments and undertakings to do so, equates to theft of tax-payers' money.

THE TEST FOR RESOURCE CONSTRAINTS OR INABILITY TO PAY DEFENCE BY A STATE ORGAN

179. The continued default by the **Naledi Municipality** prejudices the residents who are the ratepayers and **Eskom**. This occurs even though the Municipality collects electricity revenue from the ratepayers but fails to prioritize payment to **Eskom** despite the Municipality receiving a periodic grant from the National Treasury in the form of the equitable share.

180. The Municipality has a constitutional and statutory duty to pay its creditors as part of discharging its public law duty of rendering effective service delivery to the public/ratepayers.

181. The proper approach to be followed by the court when assessing and evaluating a plea that budgetary constraints preclude a public functionary from fulfilling its constitutional obligations was dealt with by the Constitutional Court enunciated a context-sensitive, reasonableness standard that applies when assessing a plea of budgetary constraints by a state organ. The test entails an enquiry as to whether the state organ or functionary has shown that it had taken all reasonable measures within its available resources.

182. On the evidence in the financial statements, mentioned elsewhere in this affidavit, the Municipality has sufficient income and revenue it receives from its electricity reticulation business. The latter seems to serve as the Municipality's cash cow used for non-basic services.

183. What is more, the Municipality is unable to account for how it allocates the equitable share that it receives from the National Treasury for the subsidization and the provision of basic services, I submit that electricity ought to be prioritized. The ineluctable conclusion to be drawn is that the Municipality does not lack resources to meet its obligations.

184. I am advised that the Supreme Court of Appeal has recently pronounced that where the state organ has previously acknowledged the principal debt, it is impermissible and unconscionable for that state organ to contrive technical and unmeritorious defences or adopt the means which seek to disavow or evade its already acknowledge debt.

THE MUNICIPALITY HAS A CONSTITUTIONAL DUTY TO COMPLY WITH THE LAW

185. I submit that the court must take into account that, as a state organ, the Municipality has a constitutional duty to meet its contractual and statutory obligations. It has a duty to ensure that it structures its budget in a manner that takes into account basic

services and prioritises them over the payment of salaries and making fruitless and wasteful expenditure. It would be untenable and at odds with the precepts of the law if the Municipality were to simply prioritise other creditors and put basic services like electricity distributed by **Eskom** on the back of the queue. Worse still, it is the pleaded case of the applicant that its members are up to date with its electricity account.

186. In terms of section 65 (2) of the Municipal Finance Management Act ("MFMA") the Municipality is enjoined to pay its bills in 30 days. The latter provision is peremptory.

187. Moreover, section 27(i) of ("ERA") obliges, in peremptory terms, the Municipality to keep a separate account of its electricity reticulation. The ring-fenced electricity revenue should be readily available for use to pay **Eskom** as prescribed by the law. On the contrary, the result is that the electricity money collected from the ratepayers appear to be used for purposes for which it was not meant. This is impermissible and unlawful. Once again, the Municipality demonstrates its flagrant disregard of the law.

188. It is common cause that the Municipality is a local Municipality established in terms of section 2 read with section 3 (d) of the Local Government, Municipal Systems Act 32 of 2000 ("the Systems Act"). That comes with its own legal obligations.

189. In terms of section 152(1) of the Constitution, municipalities must ensure the provision of services to communities within their areas of jurisdiction in a sustainable manner. They must also strive, within their financial administrative capacity, to achieve the objectives set out in section 152(1). These are plain and manifest and require no further interpretation.

190. In that connection, s 152 provides that a Municipality must:

> *"(a) Structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community and to participate in national and provincial development programmes."*

191. Section 4(2) of the Systems Act gives legislative content to the various constitutional duties of the municipalities by setting out the duties of the municipal councils, which exercise the executive and legislative authority at municipal level. Section 4 (2) (f) provides as follows:

> *"(2) The council of a Municipality, within the municipalities financial and administrative capacity and having regard to practical considerations, has the duty to-*

(f) *give members of the local community equitable access to the municipal services to which they are entitled."*

192. Further content to this general duty to provide municipal services is found in terms of section 73 of the Systems Act. It obliges the Municipality to give priority to the basic needs of the local community, promote its development and to ensure that all members of the local community have access to at least the minimum level of basic municipal services, which include electricity.

193. Section 9 (1) (a) (iii) of the Housing Act 1 of 1997 imposes a specific obligation on the Municipality to provide basic municipal services including electricity in a manner that is economically efficient. The Municipality's culture of non-payment is at variance with all its statutory and constitutional obligations mentioned above. It impedes it ability to carry out its public function of service delivery. It also runs counter against the principle of the rule of law which is one of the important foundational values of our constitutional democracy.

194. It must be borne in mind that the various constitutional and statutory obligations of the municipalities are there to afford protection to the general public. Such positive statutory duties and obligations ought to be enforced and the municipalities compelled to comply with their public law obligations. By way of example, the Municipality's obligation to identify and report any financial problem as required by section 135 (1) of the MFMA is meant to afford protection to the residents and

other state organs who supply vital and basic services such as **Eskom**. Section 135 (2) of the MFMA places a positive obligation on the Municipality to meet all its financial commitments. Again, this is meant to afford protection to the residents and entities like **Eskom** who supply basic services like electricity to the Municipality against payment.

195. The reporting requirements contained in section 135 (3) which compel the Municipality to report any serious financial problem to the MEC for Local Government and the MEC for Finance, ensure protection to the residents and creditors of the Municipality alike. For good measure, these obligations are couched in peremptory terms to illustrate their enforceability and effectiveness. This finding is at odds with the battery of legislative provisions which place positive duties on the Municipality. Such statutory duties are clearly enforceable by way of various remedies such as the mandamus compelling the Municipality's compliance with its constitutional and statutory duties. I deal later with the proper applicable test enunciated by the Constitutional Court where the state organ raises a plea of "inability to pay" or "resource constraints".

196. Properly construed and applied, section 135 (1) and (2) of the Municipal Finance Management Act 'MFMA' obliges the Municipality to identify avoid financial problems and that it must meet its financial obligations. It reads:

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"Chapter 13 of Public Finance Management Act 'PFMA'[26], is titled the resolution of financial problems Part 1: Identification of a financial problems, S135: Primary responsibility for resolution of financial problems:

(1) The primary responsibility to avoid, identify and resolve financial problems in a Municipality rests with the Municipality itself.

(2) A Municipality must meet its financial commitments.

(3) If a Municipality encounters a serious financial problem or anticipates problems in meeting its financial commitments, it must immediately-

(a) seek solutions for the problem;

(b) notify the MEC for local government and the MEC for finance in the province; and;

(c) notify organised local government."

197. The Municipal Systems Act in turn says:[27]

"*Rights and duties of municipal councils:*

[26] 56 of 2003
[27] 2000

4(2) *The council of a Municipality, within the Municipality's financial and administrative capacity and having regard to practical considerations, has the duty to:*

(a) *exercise the Municipality's executive and legislative authority and use the resources of the Municipality in the best interests of the local community;*

(b) *provide, without favour or prejudice, democratic and accountable government;*

(c) *encourage the involvement of the local community;*

(d) *strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner;*

(e) *consult the local community about give members of the local community equitable access to the municipal services to which they are entitled:*

(i) *the level, quality, range and impact of municipal services provided by the Municipality, either directly or through another service provider: and*

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(iii) the available options for service delivery:

(f) promote and undertake development in the Municipality;

(g) promote gender equity in the exercise of the Municipality's executive and legislative authority;

(h) promote a safe and healthy environment in the Municipality: and

(i) contribute, together with other organs of state, to the progressive realisation of 30 the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution."

198. Criteria for determining serious financial problems s 138. It reads:

"When determining for the purposes of section 137 the seriousness of a financial problem, all relevant facts must be considered, and the following factors, singly or in combination, may indicate a serious financial problem:

(a) The Municipality has failed to make payments as and when due;

(b) The Municipality has defaulted on financial obligations for financial reasons;

(c) *The actual current expenditure of the Municipality has exceeded the sum of its actual current revenue plus available surpluses for at least two consecutive financial years."*

199. Mandatory provincial interventions arising from financial crises, section 139 reads thusly:

"(1) *If a Municipality, as a result of a crisis in its financial affairs, is in serious or persistent material breach of its obligations to provide basic services or to meet its financial commitments, or admits that it is unable to meet its obligations or financial commitments, the provincial executive must promptly:*

(a) *request the Municipal Financial Recovery Service-*

(i) *to determine the reasons for the crisis in its financial affairs;*

(ii) *to assess the Municipality's financial state;*

(iii) *to prepare an appropriate recovery plan for the Municipality;*

(iv) to recommend appropriate changes to the Municipality's budget and revenue-raising measures that will give effect to the recovery plan:

(v) to submit to the MEC for finance in the province-

(aa) the determination and assessment referred to in subparagraphs (i)and (ii) as a matter of urgency; and

(bb) the recovery plan and recommendations referred to in subparagraphs (iii) and (iv) within a period, not to exceed 90 days, determined by the MEC for finance: and

(b) consult he mayor of the Municipality to obtain the Municipality's cooperation in implementing the recovery plan, including the approval of a budget and legislative measures giving effect to the recovery plan."

200. The cumulative effect of the above enumerated legislative provisions seeks to afford protection to the general public against the unlawful misuse of public power by a Municipality. Such intervention is meant to afford protection to the community and force the delinquent Municipality to meet their public law duties. In the event of

non-compliance, the remedies such as mandatory interdicts or supervisory interdict are available to enforce compliance.

201. What is more, on the undisputed facts there has been more than one interventions in terms of section 139 which only lasted for 6 months, that the MEC for COGTA and the MEC for Finance had intervened and failed with the assistance of Provincial Treasury, that the Mayor had been a party to various meetings to try and assist the Municipality, and that all such attempts bore no satisfactory results.

THE UNLAWFUL USE OF THE EQUITABLE SHARE BY THE MUNICIPALITY IS UNLAWFUL

202. Section 214(1) of the Constitution requires that every year a Division of Revenue Act determine the equitable division of nationally raised revenue between national government, the nine provinces and 257 municipalities. This process takes into account the powers and functions assigned to each sphere of government.

203. I submit that the equitable shares are meant to enable provinces and municipalities to provide basic services and the functions allocated to them. It is unlawful for the Municipality to utilise its the equitable share to pay for non-basic services.

204. In sum, the equitable share targets the funding of basic and free services, but it must not fund gaps elsewhere in municipal revenue collection and must pay for the free basic electricity. Yet the Municipality fails to pay **Eskom**. Such conduct by the Municipality is unconscionable and deserves censure by this court.

205. As in July 2021 the **Naledi Municipality**'s debt to **Eskom** stood at R482 797 260.00 **(Four hundred and eighty-two Million Seven hundred and ninety seven thousand two hundred and sixty rands only)**.

206. As is clear from the aforementioned history of the Municipality's delinquency and Eskom's countless attempts to assist this Municipality, the inelectoble conclusion is that Eskom is left with no option but to:

(1) make common cause with the applicant and support the number of mandatory and declaratory reliefs sought in the present application;

(2) if so advised, institute separate proceedings against the delinquent municipality in which Eskom seeks the Mandatory orders compelling the Municipality to meet its obligations to Eskom, and also seek some declarations against the Municipality;

(3) obtain judgment against the Municipality for payment to Eskom for the supply of electricity, including interest.

(4) seek a just and equitable relief against the delinquent Municipality.

207. For the reasons set out above, I respectfully submit that I have demonstrated the full extent of the **Naledi Municipality**'s delinquency despite its continuous collection of electricity revenue from the residents. I have also demonstrated that the Municipality's unlawful conduct prejudices **Eskom** and the residents. That being so, I submit that the court should come to the assistance of **Eskom**, the businesses and the residents by compelling the **Naledi Municipality** and the other state organs to meet their Constitutional, statutory and contractual obligations. In that regard, the court must grant a just and equitable order which ensures justice to **Eskom** and the residents as sought in the application.

DEPONENT

Thus signed and sworn to at PRETORIA on this 07 day of SEPTEMBER 2021, the deponent having acknowledged that she understands the contents of this affidavit, that it is both true and correct to the best of her knowledge and belief, that she has no objection taking the prescribed oath and that the prescribed oath is binding on her conscience. I certify that the above affidavit was sworn to before me and

that the provisions of the regulations contained in *Government Notice No. R. 1258 of 21 July 1972*, as amended by *Government Notices No. 1648 dated 19 August 1977* and *No. R. 1428 dated 11 July 1980*, have been complied with.

COMMISSIONER OF OATHS

ABRAHM GWANGWA

COMMISSIONER OF OATHS / KOMMISSARIS VAN EDE
PRACTICING ATTORNEY / PRAKTISERENDE PROKUREUR, R.S.A.
117 RIGEL AVENUE
WATERKLOOF RIDGE
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FAX: 086 547 3217

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Naledi Local Municipality
(Demarcation Code NW392)
Annual Financial Statements
for the year ended 30 June 2019

Naledi Local Municipality
(Demarcation Code NW392)
Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Nature of business and principal activities	The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.
Legislation governing the municipality's operations	Constitution of the Republic of South Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (Act 6 of 2004) Division of Revenue Act (Act 1 of 2007)
Mayoral committee	
Executive Mayor	Cllr Skalk N.W. (Mayor)
	Cllr. Groep C.J (Speaker)
	Cllr. Ekkelton L. (Exco chairperson)
	Cllr. Pretorius H.L (Exco member) - Terminated on 31 January 2019
Councillors	Cllr. Bosantsi K.L (Exco member)
	Cllr. Pulane G.C. - Terminated 2 December 2018
	Cllr. Bome K.L
	Cllr. Lebona M.E
	Cllr. Bareng A.N
	Cllr.Brand J.G
	Cllr. Modise K.L
	Cllr. Renoster E.P
	Cllr. Philander H - Terminated 11 November 2018
	Cllr. Tauwe K.B
	Cllr. Tshite K.D
	Cllr Ncobo M.E
	Cllr. Gama G
	Cllr. Moholo B.J
	Cllr. Moeng L.M - Appointed 21 February 2019
	Cllr. Mustafa S.M
	Cllr. Nyamane O.K
	Cllr. Van Huysteen H
	Cllr. Adonis J.A
Grading of local authority	Grade 3
Accounting Officer	Mr. T.M. Bloom - from 1 July 2018 to 12 March 2019
	Mr. T.D. Tshikundu - Acting from 13 March 2019 to 16 July 2019
	Ms. L.Gaselahwe - Acting from 17 July 2019 to 15 September 2019
	Mr. S. Tyatya - Acting from 16 September 2019 to current
Chief Finance Officer (CFO)	
	Mr K. M. Kgokotli from 1 May 2018 to 30 September 2018
	Mr T. D. Tshikundu from 1 October 2018 to 30 September 2019 (Resigned)

General Information

Registered office	Civic Center 19A Market Street Vryburg Northwest 8601
Business address	Civic Center 19A Market Street Vryburg Northwest 8601
Postal address	P.O Box 35 Vryburg 8600
Bankers	ABSA FNB
Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Modiboa Attorneys Inc Duplessis Viviers Inc Waks Silent Attorneys Inc Mamatela Attorneys Inc

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Naledi Local Municipality
(Demarcation Code NW392)
Annual Financial Statements for the year ended 30 June 2019

Index

The reports and statements set out below comprise the Annual Financial Statements presented to the provincial legislature:

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
INEP	Intergrated National Electrification Programme
FMG	Financial Management Grant
EPWP	Expanded Public Works Programme

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Constitution of the Republic of South Africa (Act 108 of 1998), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is largely dependent on government grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on page 7 - 63 which have been prepared on the going concern basis, were approved by the accounting officer on 22 November 2019 and were signed on its behalf by:

Accounting Officer
Mr S Tyatya

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development; and to promote a safe and healthy environment.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.The other critical factor is optimal revenue collection and implementation of cost containment measures.

3. Subsequent events

The accounting officer was appointed on 16 September 2019. The municipality's Chief Finance Officer resigned on 30 September 2019.

4. Accounting Officer's interest in contracts

The Accounting Officer did not have an interest in any of the contracts entered into during the current financial year.

5. Non-current assets

No major changes in the nature or the policy relating to the use of the non-current assets of the Municipality occurred during the year.

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice. The Municipality was placed under SI39(1)(b) of the constitution in April 2019.

Internal audit

The municipality's internal audit function is outsourced to Dr Ruth Segomotsi Mompati District Municipality Internal Auditors.

7. Bankers

Accounts were held with ABSA and First National Bank (a division of First Rand Bank Limited) during the year.

8. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Accounting Officer
Mr S Tyatya

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	2 093 150	1 720 534
VAT Receivables		-	25 652 454
Receivables from non-exchange transactions	3	9 871 251	2 358 277
Receivables from exchange transactions	4	69 063 210	57 922 836
Cash and cash equivalents	5	54 762 149	41 637 135
		135 789 760	**129 291 236**
Non-Current Assets			
Biological assets	6	1 534 536	1 534 536
Property, plant and equipment	7	1 222 306 318	1 234 915 170
Heritage assets	8	1 102 500	1 102 500
		1 224 943 354	**1 237 552 206**
TOTAL ASSETS		**1 360 733 114**	**1 366 843 442**
LIABILITIES			
Current Liabilities			
Other financial liabilities	9	8 378 304	5 107 772
VAT Payables		8 873 001	-
Payables from exchange transactions	10	554 017 170	509 128 951
Employee benefit obligation	11	2 437 950	1 672 171
Unspent conditional grants	12	19 430 607	3 360 361
Provisions	13	43 643 870	25 547 380
Consumer deposits		8 212 670	7 922 109
		644 993 572	**552 738 744**
Non-Current Liabilities			
Other financial liabilities	9	4 858 547	8 458 547
Employee benefit obligation	11	47 886 391	63 104 261
Provisions	13	24 182 850	6 681 514
		76 927 788	**78 244 322**
TOTAL LIABILITIES		**721 921 360**	**630 983 066**
NET ASSETS		**638 811 754**	**735 860 376**
Reserves			
Revaluation reserve	14	2 470 085	2 470 085
Accumulated surplus		636 341 659	733 390 282
Total Net Assets		**638 811 744**	**735 860 367**

* See Note 46

Statement of Financial Performance for the year ending 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	207 428 388	145 602 667
Rental of facilities and equipment		2 703 299	2 372 157
Interest income	16	18 606 702	16 440 196
Licences and permits	17	5 016 051	5 732 114
Gain on disposal of assets and liabilities		976 860	508 210
Other income	18	1 257 087	1 418 227
Actuarial gains		12 779 920	-
Total revenue from exchange transactions		**248 768 307**	**172 073 571**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	19	52 530 533	46 057 550
Interest income property rates		3 865 550	4 543 433
Transfer revenue			
Government grants & subsidies	20	65 974 754	83 088 520
Fines, Penalties and Forfeits	21	1 664 311	769 665
Total revenue from non-exchange transactions		**124 035 148**	**134 459 168**
Total revenue	41	**372 803 455**	**306 532 739**
Expenditure			
Employee related costs	22	(153 696 368)	(150 530 555)
Remuneration of councillors	23	(9 419 654)	(8 726 663)
Depreciation and amortisation	24	(34 660 651)	(35 541 784)
Finance costs	25	(9 222 516)	(29 178 869)
Debt Impairment	26	(72 379 113)	(16 724 904)
Bulk purchases	27	(106 686 545)	(75 590 125)
Contracted services	28	(44 951 960)	(27 421 341)
Transfers and Subsidies	29	-	(20 214)
Actuarial losses		-	(3 287 020)
General Expenses	30	(38 835 275)	(14 574 713)
Total expenditure		**(469 852 082)**	**(361 596 288)**
Deficit for the year		**(97 048 627)**	**(55 063 549)**

* See Note 46

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	2 470 085	285 215 150	287 685 235
Adjustments			
Correction of errors	-	503 238 684	503 238 684
Balance at 01 July 2017 as restated*	2 470 085	788 453 831	790 923 916
Changes in net assets			
Surplus for the year	-	(55 063 549)	(55 063 549)
Total changes	-	(55 063 549)	(55 063 549)
Opening balance as previously reported	2 470 085	733 390 286	735 860 371
Restated* Balance at 01 July 2018 as restated*	2 470 085	733 390 286	735 860 371
Changes in net assets			
Surplus for the year	-	(97 048 627)	(97 048 627)
Total changes	-	(97 048 627)	(97 048 627)
Balance at 30 June 2019	2 470 085	636 341 659	638 811 744
Note(s)	14		

* See Note 46

Statement of Cash Flow

Figures in Rand	Note(s)	2019	2018 Restated*
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		201 582 433	235 014 903
Grants		82 045 000	83 088 520
Interest income		374 971	-
		284 002 404	318 103 423
Payments			
Employee costs		(167 887 523)	(153 171 676)
Suppliers		(106 888 401)	(28 830 258)
Finance costs		(9 222 516)	-
VAT	45	34 525 455	(25 652 454)
		(249 472 985)	(207 654 388)
NET CASHFLOWS FROM OPERATING ACTIVITIES	32	**34 529 419**	**110 449 035**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(22 051 797)	(93 545 452)
Proceeds from sale of property, plant and equipment	7	976 860	508 210
NET CASHFLOWS FROM INVESTING ACTIVIES		**(21 074 937)**	**(93 037 242)**
Cash flows from financing activities			
Repayment of other financial liabilities		(329 468)	(2 430 000)
NET CASHFLOWS FROM FINANCING ACTIVITIES		**(329 468)**	**(2 430 000)**
Net increase/(decrease) in cash and cash equivalents		**13 125 014**	**14 981 793**
Cash and cash equivalents at the beginning of the year		41 637 135	26 655 342
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5	**54 762 149**	**41 637 135**

* See Note 46

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL PERFOMANCE						
REVENUE						
Revenue from exchange transactions						
Service charges	222 717 000	(12 411 000)	210 306 000	207 428 388	(2 877 612)	1
Rental of facilities and equipment	1 061 000	708 000	1 769 000	2 703 259	934 259	2
Interest income	20 993 000	635 000	21 628 000	18 606 702	(3 021 298)	
Licences and permits	8 503 000	(2 019 000)	6 484 000	5 016 051	(1 467 949)	3
Gain on disposal of assets and liabilities	-	-	-	976 860	976 860	4
Other income	2 897 000	483 000	3 380 000	1 257 087	(2 122 913)	4
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS	256 171 000	(12 604 000)	243 567 000	235 988 387	(7 578 613)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	53 582 000	-	53 582 000	52 530 533	(1 051 467)	5
Interest income outstanding debtors	674 000	(289 000)	385 000	3 865 550	3 480 550	
Transfer revenue						
Government grants & subsidies	52 268 000	-	52 268 000	65 974 754	13 706 754	7
Fines, Penalties and Forfeits	17 197 000	(15 907 000)	1 290 000	1 664 311	374 311	
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS	123 721 000	(16 196 000)	107 525 000	124 035 148	16 510 148	
TOTAL REVENUE	379 892 000	(28 800 000)	351 092 000	360 023 535	8 931 535	
EXPENDITURE						
Employee related costs	(161 404 000)	4 552 000	(156 852 000)	(153 696 368)	3 155 632	8
Remuneration of councillors	(8 019 000)	(224 000)	(8 243 000)	(9 419 654)	(1 176 654)	9
Depreciation and amortisation	(24 370 000)	-	(24 370 000)	(34 660 651)	(10 290 651)	10
Finance costs	(10 381 000)	-	(10 381 000)	(9 222 516)	1 158 484	11
Debt impairment	(9 050 000)	-	(9 050 000)	(72 379 113)	(63 329 113)	
Bulk purchases	(105 195 000)	-	(105 195 000)	(106 686 545)	(1 491 545)	12
Contracted services	(27 480 000)	(18 305 000)	(45 785 000)	(44 951 960)	833 040	13
Transfers and subsidies	(50 000)	-	(50 000)	-	50 000	14
General expenses	(26 843 000)	84 000	(26 759 000)	(38 835 275)	(12 076 275)	15
TOTAL EXPENDITURE	(372 792 000)	(13 893 000)	(386 685 000)	(469 852 082)	(83 167 082)	
Operating deficit	7 100 000	(42 693 000)	(35 593 000)	(109 828 547)	(74 235 547)	
Actuarial gains/losses	-	-	-	12 779 920	12 779 920	
Deficit	7 100 000	(42 693 000)	(35 593 000)	(97 048 627)	(61 455 627)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	7 100 000	(42 693 000)	(35 593 000)	(97 048 627)	(61 455 627)	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Current Assets						
Inventories	3 378 000	-	3 378 000	2 093 150	(1 284 850)	17
Receivables from non-exchange transactions	39 121 000	-	39 121 000	9 871 251	(29 249 749)	19
Receivables from exchange transactions	129 880 000	-	129 880 000	69 063 210	(60 816 790)	20
Cash and cash equivalents	-	-	-	54 762 149	54 762 149	21
	172 379 000	-	172 379 000	135 789 760	(36 589 240)	
Non-Current Assets						
Biological assets	-	-	-	1 534 536	1 534 536	22
Property, plant and equipment	808 803 000	3 981 000	812 784 000	1 222 306 318	409 522 318	23
Heritage assets	-	-	-	1 102 500	1 102 500	25
Other asset	709 000	-	709 000	-	(709 000)	
	809 512 000	3 981 000	813 493 000	1 224 943 354	411 450 354	
TOTAL ASSETS	981 891 000	3 981 000	985 872 000	1 360 733 114	374 861 114	
LIABILITIES						
Current Liabilities						
Other financial liabilities	-	-	-	8 378 304	8 378 304	26
VAT Payables	-	-	-	8 873 001	8 873 001	
Payables from exchange transactions	469 464 000	-	469 464 000	554 017 170	84 553 170	27
Employee benefit obligation	-	-	-	2 437 950	2 437 950	28
Unspent conditional grants and receipts	-	-	-	19 430 607	19 430 607	29
Provisions	10 121 000	-	10 121 000	43 643 870	33 522 870	30
Consumer deposits	6 121 000	-	6 121 000	8 212 670	2 091 670	31
Borrowings	5 349 000	-	5 349 000	-	(5 349 000)	
Bank overdraft	85 161 000	25 464 000	110 625 000	-	(110 625 000)	
	576 216 000	25 464 000	601 680 000	644 993 572	43 313 572	
Non-Current Liabilities						
Other financial liabilities	-	-	-	4 858 547	4 858 547	32
Employee benefit obligation	-	-	-	47 886 391	47 886 391	
Provisions	57 461 000	-	57 461 000	24 182 850	(33 278 150)	33
Borrowings	8 114 000	-	8 114 000	-	(8 114 000)	
	65 575 000	-	65 575 000	76 927 788	11 352 788	
TOTAL LIABILITIES	641 791 000	25 464 000	667 255 000	721 921 360	54 666 360	
NET ASSETS	340 100 000	(21 483 000)	318 617 000	638 811 754	320 194 754	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net Assets						
RESERVES						
Revaluation reserve	2 441 000	-	2 441 000	2 470 085	29 085	34
Accumulated surplus	337 659 000	(21 483 000)	316 176 000	636 341 666	320 165 666	
TOTAL NET ASSETS	340 100 000	(21 483 000)	318 617 000	638 811 751	320 194 751	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
CASH FLOW STATEMENT						
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts						
Sale of goods and services	226 226 000	13 686 000	239 912 000	201 582 433	(38 329 567)	
Grants	87 705 000	(394 000)	87 311 000	82 045 000	(5 266 000)	
Interest income	674 000	(190 000)	484 000	374 971	(109 029)	
	314 605 000	13 102 000	327 707 000	284 002 404	(43 704 596)	
Payments						
Employee cost	(366 441 000)	(18 894 000)	(385 335 000)	(167 887 523)	217 447 477	
Suppliers	-	-	-	(106 888 401)	(106 888 401)	
Finance costs	(10 381 000)	-	(10 381 000)	(9 222 516)	1 158 484	
Tranfers and Grants	(50 000)	-	(50 000)	-	50 000	
VAT	-	-	-	34 525 455	34 525 455	
	(376 872 000)	(18 894 000)	(395 766 000)	(249 472 985)	146 293 015	
NET CASH FLOWS FROM OPERATING ACTIVITIES	(62 267 000)	(5 792 000)	(68 059 000)	34 529 419	102 588 419	
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property, plant and equipment	(36 127 000)	(3 980 000)	(40 107 000)	(22 051 797)	18 055 203	
Proceeds from sale of property, plant and equipment	-	300 000	300 000	975 860	675 860	
NET CASH FLOWS FROM INVESTING ACTIVITIES	(36 127 000)	(3 680 000)	(39 807 000)	(21 074 937)	18 732 063	
CASH FLOWS FROM FINANCING ACTIVITIES						
Repayment of other financial liabilities	(5 350 000)	-	(5 350 000)	(329 468)	5 020 532	
Net increase/(decrease) in cash and cash equivalents	(103 744 000)	(9 472 000)	(113 216 000)	13 125 014	126 341 014	
Cash and cash equivalents at the beginning of the year	18 583 000	(15 991 000)	2 592 000	41 637 135	39 045 135	
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	(85 161 000)	(25 463 000)	(110 624 000)	54 762 149	165 386 149	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Constitution of the Republic of South Africa (Act 108 of 1998).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Biological assets

The entity recognises biological assets when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.4 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residualvalue.
The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	20-30 years
Roads and lights	Straight line	10-40 years
Sewerage	Straight line	25-30 years
landfill site perimetre protection structure	Straight line	10-55 years
Recreational facilities	Straight line	30 years
Cemeteries	Straight line	30 years
Halls	Straight line	30 years
Libraries	Straight line	30 years
Civic buildings	Straight line	30 years
Office equipment	Straight line	7 years
Furniture and fittings	Straight line	7 years
Motor Vehicles	Straight line	7 years
Machinery and equipment	Straight line	5-10 years
IT Equipment	Straight line	5 years
Other assets	Straight line	4-15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.4 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from investing activities in the cash flow statement.

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that a municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Accounting Policies

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Accounting Policies

1.6 Financial Instruments (continued)

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.6 Financial instruments (continued)

Classification

The entity has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
VAT receivable	Financial asset measured at amortised cost
Receivables from non exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

The entity has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value.

Accounting Policies

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost

All financial assets measured at amortised cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Accounting Policies

1.6 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

Accounting Policies

1.6 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.8 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.10 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.11 Employee benefits (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality 's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Accounting Policies

1.12 Provisions and contingencies (continued)

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficit.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Accounting Policies

1.12 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Accounting Policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions.

Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.16 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

Accounting Policies

1.17 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Comparative figures

Where necessary, comparative figures have been reclassified and/or restated to conform to changes in presentation in the current year.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Accounting Policies

1.23 Related parties (continued)

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.24 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
2. Inventories		
Consumable stores	243 876	284 022
Maintenance materials	1 772 227	1 333 822
Water for distribution	77 047	102 690
	2 093 150	**1 720 534**
3. Receivables from non-exchange transactions		
Property rates	74 275 183	60 171 926
Allowance for impairment on Property rates	(64 403 932)	(57 813 649)
	9 871 251	**2 358 277**
Included in Receivables from non exchange transactions are Property Rates receivables as follows:		
Property rates		
Current (0 - 30 days)	2 896 815	3 433 470
31 - 60 days	2 011 479	1 874 112
61 - 90 days	1 699 172	1 760 747
91 - 120 days	1 578 874	1 841 501
> 121 days	66 088 843	51 240 356
Allowance for impairment	(64 403 932)	(57 813 649)
	9 871 251	**2 336 537**
4. Receivables from exchange transactions		
Gross balances		
Electricity	88 175 347	70 644 801
Water	98 349 952	63 808 662
Sewerage	66 314 358	46 428 966
Refuse	64 058 695	49 601 355
Merchandising and jobbing	10 393 205	10 393 205
Property rentals and sundry	16 737 878	15 383 932
Other	27 217 296	37 973 211
	371 246 731	**294 234 132**
Less: Allowance for impairment		
Electricity	(80 341 727)	(67 900 600)
Water	(87 278 660)	(61 330 011)
Sewerage	(58 717 478)	(44 625 430)
Refuse	(60 137 808)	(47 674 588)
Property rentals and sundry	(15 707 848)	(14 780 667)
	(302 183 521)	**(236 311 296)**
Net balance		
Electricity	7 833 620	2 744 201
Water	11 071 292	2 478 651
Sewerage	7 596 880	1 803 536
Refuse	3 920 887	1 926 767
Merchandising and jobbing	10 393 205	10 393 205
Property rentals and sundry	1 030 030	603 265
Other	27 217 296	37 973 211
	69 063 210	**57 922 836**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
4. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	9 229 396	3 801 125
31 - 60 days	2 154 351	1 587 349
61 - 90 days	1 284 514	1 353 886
91 - 120 days	1 583 088	3 421 459
> 120 days	71 328 528	60 480 982
Allowance for impairment	(80 341 727)	(67 900 600)
Other	2 595 470	-
	7 833 620	2 744 201
Water		
Current (0 -30 days)	12 820 310	4 971 140
31 - 60 days	1 423 660	1 358 931
61 - 90 days	1 200 595	1 018 859
91 - 120 days	1 245 286	1 114 819
> 120 days	76 279 236	55 344 913
Allowance for impairment	(87 278 660)	(61 330 011)
Other	5 380 865	-
	11 071 292	2 478 651
Sewerage		
Current (0 -30 days)	2 192 639	1 554 867
31 - 60 days	1 743 850	1 063 746
61 - 90 days	1 610 472	982 442
91 - 120 days	1 571 644	929 545
>120 days	55 427 157	41 698 366
Allowance for impairment	(58 717 478)	(44 625 430)
Other	3 768 596	-
	7 596 880	1 803 536
Refuse		
Current (0 -30 days)	1 988 226	1 399 976
31 - 60 days	1 570 988	968 406
61 - 90 days	1 447 391	869 768
91 - 120 days	1 406 308	820 838
> 120 days	57 645 784	45 542 367
Allowance for impairment	(60 137 808)	(47 674 588)
	3 920 887	1 926 767
Merchandising and jobbing		
> 365 days	10 393 205	10 393 205
Sundry and rent		
Current (0 -30 days)	128 217	109 618
31 - 60 days	115 972	100 179
61 - 90 days	112 516	77 121
91 - 120 days	115 345	77 275
> 120 days	16 259 924	15 013 835
Other	(15 701 944)	(14 774 763)
	1 030 030	603 265

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
4. Receivables from exchange transactions (continued)		
Other receivables		
Current (0 -30 days)	27 217 296	37 973 211
Reconciliation of allowance for impairment		
Balance at beginning of the year	(236 311 296)	(219 586 392)
Contributions to allowance (exchange and non exchange)	(65 872 225)	(16 724 904)
	(302 183 521)	**(236 311 296)**
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	787	787
Short-term deposits	185 704	781 356
Bank balance	54 575 658	40 854 992
	54 762 149	41 637 135

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018

5. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA- (Primary bank account) Current account 407282707	11 135 952	820 938	125 050	(248 767 667)	(105 654 127)	125 050
ABSA - Gold account 4085876208	3 931 784	-	-	3 931 784	-	-
FNB- Current account 54160030382	2 325 463	202 773	8 838 986	298 741 130	146 505 223	8 838 986
FNB- Gold account 62543367397	487 014	-	-	487 014	-	-
FNB- Fixed deposit 70416052060	7 900	7 900	7 900	-	-	7 900
FNB- FMG Call account 62401119856	-	-	1 036	-	-	1 036
FNB- MIG Call account 62401121364	-	-	9 615 952	-	-	9 615 952
FNB- EPWP Call account 62401123344	-	-	1 808	-	-	1 808
FNB- Library funds Call account 62401121364	-	-	1 944	-	-	1 944
FNB- MSIG Call account 62401123625	-	-	1 061	-	-	1 061
FNB- INEP Call account 62401122908	-	-	1 139	-	-	1 139
FNB- Equitable share Call account 62401123964	-	-	3 281	-	-	3 281
FNB- LGSETA Call account 62401123625	-	-	2 167	-	-	2 167
FNB- New Landfill site Call account 62401124805	-	-	2 168	-	-	2 168
FNB- PPE Call account 62401125142	-	-	2 177	-	-	2 177
FNB- District Grant Call account 62435389342	-	-	1 024	-	-	1 024
FNB- Smart meter project Call account 624220925549	-	-	1 811	-	-	1 811
FNB- Prodiba Call account 62435389342	-	-	1 089	-	-	1 089
ABSA- LGSETA Call account 4094020761	982	1 976	-	982	1 976	-
ABSA- Equitable share Call account 4094021000	7 275	200	-	7 275	200	-
ABSA- Library grant Call account 4094021220	749	1 754	-	749	1 754	-
ABSA- EPWP Call account 4094021408	6 725	-	-	6 725	-	-
ABSA- INEP Call account 4094021589	43 405	200	-	43 405	200	-
ABSA- MSIG Call account 4094021686	845	1 845	-	845	1 845	-
ABSA- District conditional grant Call account 4094021872	735	1 740	-	735	1 740	-
ABSA- FMG Call account 4094022111	4 859	-	-	4 859	-	-

Notes to the Annual Financial Statements

Figures in Rand

					2019	2018
5. Cash and cash equivalents (continued)						
ABSA- MIG Call account 4094022315	2 019	4 758	-	2 019	4 758	-
ABSA- Smart meter project Call account 4094022446	502	1 519	-	502	1 519	-
ABSA- IDC Grant Call account 4094022488	2 766	485 848	-	2 766	485 848	-
ABSA- Energy efficiency and demand side management grant Call account 4094022535	106 943	273 617	-	106 943	273 617	-
Total	**18 065 918**	**1 805 068**	**18 608 593**	**54 570 066**	**41 624 553**	**18 608 593**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

6. Biological assets

Reconciliation of biological assets - 2019

	Opening balance	Total
Biological assets	1 534 536	1 534 536

Reconciliation of biological assets - 2018

	Opening balance	Other changes, movements	Total
Biological assets	4 495 743	(2 961 207)	1 534 536

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	148 295 291	(12 781 647)	135 513 644	148 295 291	-	148 295 291
Plant and machinery	16 292 377	(7 644 272)	8 648 105	16 292 377	(6 443 799)	9 848 578
Motor vehicles	11 401 180	5 669 536	17 070 716	11 401 180	(7 112 107)	4 289 073
Office equipment	3 645 682	(742 581)	2 903 101	3 645 682	(328 328)	3 317 354
IT equipment	5 403 378	(5 951 444)	(548 066)	4 646 922	(4 329 743)	317 179
Roads infrastructure	298 597 476	(82 726 088)	215 871 390	266 168 037	(70 216 338)	195 951 699
Community	146 272 514	(52 336 534)	93 935 980	141 268 636	(48 820 483)	92 438 153
Electrical infrastructure	805 871 532	(276 714 739)	529 156 793	786 945 035	(238 930 959)	548 014 076
Machinery and equipment	20 625	-	20 625	-	-	-
Work in progress	100 124 204	-	100 124 204	135 219 300	-	135 219 300
Other assets	175 441 807	(55 831 981)	119 609 826	175 441 807	(78 217 340)	97 224 467
Total	1 711 366 068	(489 059 750)	1 222 306 318	1 689 314 267	(454 399 097)	1 234 915 170

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	148 295 291	-	-	(12 781 647)	-	135 513 644
Plant and machinery	9 848 578	-	-	-	(1 200 473)	8 648 105
Motor vehicles	4 289 073	-	-	13 349 977	(568 334)	17 070 716
Office equipment	3 317 364	-	-	-	(414 253)	2 903 101
IT equipment	317 179	756 522	-	(1 095 083)	(526 684)	(548 066)
Infrastructure	195 951 699	-	-	45 399 370	(25 479 679)	215 871 390
Community	92 438 153	-	-	5 013 878	(3 516 051)	93 935 980
Other property, plant and equipment	548 014 076	(304)	-	(15 901 802)	(2 955 177)	529 156 793
Farming Machinery	-	20 625	-	-	-	20 625
Work in Progress	135 219 300	4 275 089	(39 370 185)	-	-	100 124 204
Other assets	97 224 467	-	-	22 385 359	-	119 609 826
	1 234 915 170	5 051 932	(39 370 185)	56 370 052	(34 660 651)	1 222 306 318

Notes to the Annual Financial Statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Total
Land	134 068 206	-	-	14 227 085	-	148 295 291
Plant and machinery	13 209 345	-	-	(1 394 143)	(1 966 624)	9 848 578
Motor vehicles	7 420 687	-	-	(2 283 738)	(847 876)	4 289 073
Office equipment	5 060 195	-	-	(1 456 609)	(286 232)	3 317 354
IT equipment	397 220	-	-	-	(80 041)	317 179
Infrastructure	233 947 204	-	-	(12 051 636)	(25 943 869)	195 951 699
Community	165 377 042	-	-	(69 422 337)	(3 516 552)	92 438 153
Other property, plant and equipment	89 939 835	-	-	461 054 872	(2 980 631)	548 014 076
Work in Progress	80 987 935	107 003 427	(52 772 062)	-	-	135 219 300
Other assets	97 224 467	-	-	-	-	97 224 467
	827 632 136	107 003 427	(52 772 062)	388 673 494	(35 621 825)	1 234 915 170

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	125 377 297	9 842 002	135 219 300
Additions	781 021	3 494 067	4 275 089
Transferred to completed items	(31 185 109)	(8 185 075)	(39 370 184)
	94 973 209	5 150 994	100 124 205

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	80 987 935	-	80 987 935
Additions	92 147 237	14 856 189	107 003 427
Transferred to completed items	(47 757 875)	(5 014 187)	(52 772 062)
	125 377 297	9 842 002	135 219 300

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

8. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	900 000	-	900 000	900 000	-	900 000
Art Collections, antiquities and exhibits	202 500	-	202 500	202 500	-	202 500
Total	1 102 500	-	1 102 500	1 102 500	-	1 102 500

Reconciliation of heritage assets 2019

	Opening balance	Total
Historical buildings	900 000	900 000
Art Collections, antiquities and exhibits	202 500	202 500
	1 102 500	1 102 500

Reconciliation of heritage assets 2018

	Opening balance	Other changes, movements	Total
Art Collections, antiquities and exhibits	461 968	438 032	900 000
Collections of insects, butterflies and fossils	247 318	(44 818)	202 500
	709 286	393 214	1 102 500

9. Other financial liabilities

At amortised cost		
DBSA loan The loan does not accrue interest at a fixed rate, interest on default is charged at 9% and is capitalised every month. The loan is repayable in monthly instalments of R300 000 over 5.92 years	13 236 851	13 556 319
Non-current liabilities		
At amortised cost	4 858 547	8 458 547

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
9. Other financial liabilities (continued)		
Current liabilities		
At amortised cost	8 378 304	5 107 772

Defaults and breaches

During the year the Municipality defaulted in paying the monthly installments. They only paid R 526 299 during the year attracting interest on default of R 211 150.

10. Payables from exchange transactions		
Trade payables		
Retentions	164 098 309	180 602 145
Advanced payments	21 284 665	19 242 856
Unallocated Deposits	26 756 141	13 598 042
Auditor General South Africa	22 677 511	22 677 511
Electricity bulk purchases	6 839 473	2 629 223
	312 361 071	270 379 174
	554 017 170	509 128 951

11. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(50 324 341)	(64 776 432)
Non-current liabilities	(47 886 391)	(63 104 261)
Current liabilities	(2 437 950)	(1 672 171)
	(50 324 341)	(64 776 432)

The fair value of plan assets includes:

Changes in the present value of the defined post-employment medical aid benefit liability are follows:

Opening balance	55 098 431	53 035 068
Current Service Cost	3 251 187	2 705 119
Current Interest Costs	5 468 598	5 195 264
Medical contribution subsidies for continuation pensioners	(834 171)	(1 142 657)
Actuarial Gain/loss over financial year	(26 223 827)	(4 694 363)
Change to subsidy rates	1 367 848	-
	38 028 066	55 098 431

Changes in the present value of long service awards liability are as follows:

Opening balance	9 678 000	10 852 000
Current Services Costs	768 000	1 078 000
Current Interest Costs	836 000	995 000
Changes to Policy	(426 757)	-
Expected benefits paid	(738 000)	(1 255 000)
Actuarial Gain/Loss over the financial year	2 179 031	(1 992 000)
	12 296 274	9 678 000

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
11. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Long Service Awards		
Current service cost	1 177 243	2 073 000
Interest cost	768 000	1 078 000
Changes to Policy	836 000	995 000
Medical Aid Benefits	(426 757)	-
Current Service Cost	10 087 633	7 900 383
Interest Cost	3 251 187	2 705 119
Change to Subsidy Rates	5 468 598	5 195 264
	1 367 848	-
	112 648 876	9 973 383
Calculation of actuarial gains and losses		
Medical aid benefits	26 223 827	4 694 363
Long servise awards	2 179 031	(1 992 000)
	28 402 858	2 702 363

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used		
Consumer price inflation(CPI)	8.10 %	8.98 %
Salary increase	5.53 %	5.48 %
Net discount rate	6.60 %	6.48 %
Discount rate	2.44 %	2.35 %
Consumer price inflation	9.57 %	10.01 %
Health care cost inflation	5.50 %	6.35 %
Net discount rate	7.00 %	7.85 %
	2.40 %	2.00 %

The basis on which the rates have been determined is as follow: [GRAP 25]

Discount Rate

GRAP 25 stipulates that the choice of this rate should be derived from government bond yields consistent with the estimated term of the employee benefit liabilities. However, where there is no deep market in government bonds with a sufficiently long maturity to match the estimated term of all the benefit payments, current market rates of the appropriate term should be used to discount shorter term payments, and the discount rate for longer maturities should be estimated by extrapolating current market rates along the yield curve

Consequently, a discount rate of 8.10% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.10% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.94%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 28-June-2019.

Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions.

General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 4.63% was obtained from the differential between market yields on index-linked bonds (2.94%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.10%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.10%-0.50%)/(1+2.94%))-1.Thus, a general earnings inflation rate of 5.53% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate it has been assumed that the next earnings increase will take place on 1-July-2020.

Health Care Cost Inflation Rate

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018

11. Employee benefit obligations (continued)

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

A health care cost inflation rate of 7.00% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.50%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.40% which derives from ((1+9.57%)/(1+7.00%))-1.

The expected inflation assumption of 5.50% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.38%) and those of fixed interest bonds (9.57%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: ((1+9.57%-0.50%)/(1+3.38%))-1.

The next contribution increase was assumed to occur with effect from 1 January 2020.

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018

11. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

Medical aid benefits obligation	Change	Eligible employees	Continuation members	Total	% change
Health care inflation rates	+1%	33 177	11 629	44 805	18 %
	-1%	22 896	9 699	32 595	14 %
Discount rates	+1%	23 027	9 726	32 735	14 %
	-1%	33 083	11 613	44 696	18 %
Post employment mortality	-1yr	28 260	11 002	39 262	3 %
Average retirement age	-1yr	30 001	10 593	40 593	7 %
Continuation of membership at retirement	-10%	21 865	10 593	32 458	15 %
		-	-	-	- %

Medical aid benefits obligation	Change	Current service cost	Interst cost	Total	% Change
Post employment mortality	-1yr	3 357 143	5 655 100	9 012 243	3 %
	+1yr	3 145 515	5 278 652	8 424 167	(3)%
Discount rate	+1%	2 699 078	5 152 568	7 851 646	(10)%
	-1%	3 961 571	5 806 337	9 767 908	12 %
		-	-	-	- %

Long service awards	Change	Liability	% Change
General earnings inflation	+1%	13 041	6 %
	-1%	11 618	(6)%
Discount rates	+1%	11 595	(6)%
	-1%	13 080	6 %
Average retirement age	-2yrs	10 801	(12)%
	+2yrs	13 958	14 %
Withdrawal rates	-50%	13 781	12 %

Long service awards	Change	Current service cost	Interest cost	Total	% Change
Discount rate	+1%	718 000	869 000	1 587 000	(1)%
	-1%	825 000	797 000	1 622 000	1 %
Average retirement age	-2yrs	732 000	798 000	1 530 000	(5)%
	+2yrs	808 000	879 000	1 687 000	5 %
		-	-	-	- %

12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Financial Management Grant	532 500	532 500
Water and Service Related Grant SETA	1 477 059	1 356 607
Municipal Infrastructure Grant	7 786 143	-
Intergrated National Electrification Programme	4 320 103	-
IDC Grant	5 077 202	1 113 202
Energy Efficiency Grant	-	120 452
Transport Infrastructure Grant	237 600	237 600
	19 430 607	3 360 361

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018

12. Unspent conditional grants and receipts (continued)

The nature and extent of government grants recognised in the annual financial statements are an indication of other forms of government assistance from which the municipality has directly benefited; and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised

See note 20 for reconciliation of grants from National/Provincial Government.

13. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	10 999 845	10 242 282	8 423 638	29 665 766
Legal proceedings	1 710 489	7 251 316	-	8 961 805
Leave	16 737 039	10 785 548	(9 295 228)	18 227 359
Bonus	2 781 565	8 253 938	(64 258)	10 971 245
Pensions	(45)	-	-	(45)
Other provisions	-	590	-	590
	32 228 894	36 533 674	(935 848)	67 826 720

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Environmental rehabilitation	10 921 189	-	28 086 596	(28 007 939)	10 999 846
Legal proceedings	807 242	903 247	-	-	1 710 489
Leave	-	7 434 073	9 302 966	-	16 737 039
Bonus	-	2 717 307	64 258	-	2 781 565
Pensions	-	45	-	-	45
Long-service awards	10 851 832	-	(10 851 832)	-	-
Continued medical aid	53 035 059	-	(53 035 059)	-	-
Provision for leave	8 359 284	-	(8 359 284)	-	-
	83 974 616	11 054 672	(34 792 365)	(28 007 939)	32 228 984
Non-current liabilities				24 182 850	6 681 514
Current liabilities				43 643 870	25 547 380
				67 826 720	32 228 894

14. Revaluation reserve

Revaluation reserve	2 470 085	2 470 085

15. Service charges

Sale of prepaid electricity	74 451 441	51 920 541
Sale of electricity	51 592 002	55 681 280
Sale of water	34 149 568	6 063 605
Waste management	24 794 650	16 914 254
Refuse removal	22 440 727	15 022 887
	207 428 388	145 602 667

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
16. Interest income		
Interest income from bank	374 971	548 035
Interest income from outstanding receivables	18 231 731	15 892 161
	18 606 702	16 440 196
17. Licences and permits		
Licences and permits	5 016 051	5 732 114
18. Other income		
Clearance fees	125 823	78 629
Tender documents	83 130	71 582
Entrance fees	24 559	81 934
Advertising	39 607	39 424
Photocopies	-	5 898
Cemetery Fees	335 875	320 388
Building plans	330 562	411 696
Consolidation Fees	242 057	347 708
Administration and management fees received	75 464	60 968
	1 257 087	1 418 227
19. Property rates		
Rates received		
Residential	13 778 882	10 507 372
Business and Commercial	13 330 657	12 588 783
State owned properties	13 316 057	13 731 197
Industrial properties	1 920 374	1 928 333
Agricultural properties	10 184 563	7 301 865
	52 530 533	46 057 550
Valuations		
Residential	2 043 656 469	2 043 656 469
Business and Commercial	938 717 240	938 717 240
State owned	224 800 000	224 800 000
Industrial	130 562 000	130 562 000
Agricultural	4 454 907 250	4 454 907 250
Municipal	633 654 244	633 654 244
	8 426 297 203	8 426 297 203

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The MEC for Local Government and Human Settlements, in terms of Section 32 (2) of the Local Government Municipal Property Rates Act No 06 of 2004 approved the extension of the validity of the current valuation roll to 30 June 2019.

Rates are levied on an annual basis with the final date for payment being 30 September. Interest is at prime plus 1% per annum on long outstanding debtors.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
20. Government grants and subsidies		
Operating grants		
Equitable share	45 616 000	37 135 000
Financial management grant	1 770 000	1 167 500
Library grant	-	1 480 000
Expanded public works programmes	1 652 000	2 224 000
Water and Service Related Grant: SETA	-	256 627
	49 038 000	42 263 127
Capital grants		
Municipal infrastructure grant	15 431 857	17 205 000
Intergrated national electrification programme	1 504 897	18 000 000
Urban Renewal Projects	-	834 047
IDC Grant	-	1 906 798
Energy efficiency demand grant	-	2 879 548
	16 936 754	40 825 393
	65 974 754	83 088 520

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Financial management grant

Balance unspent at beginning of year	532 500	-
Current-year receipts	1 770 000	1 700 000
Conditions met - transferred to revenue	(1 770 000)	(1 167 500)
	532 500	532 500

Conditions still to be met - remain liabilities (see note 12).

The purpose of this grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Library grant

Balance unspent at beginning of year	-	214 653
Current-year receipts	-	1 480 000
Conditions met - transferred to revenue	-	(1 480 000)
Other	-	(214 653)
	-	-

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

Expanded public works programmes

Current-year receipts	1 652 000	2 224 000
Conditions met - transferred to revenue	(1 652 000)	(2 224 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines: roads maintenance and the maintenance of buildings; low traffic volume roads and rural roads; basic services infrastructure, including water and sanitation reticulation (excluding bulk infrastructure); other economic and social infrastructuretourism and cultural industries; waste management; parks and beautification; sustainable land-based livelihoods; social services programmes; community safety programmes.]

Municipal infrastructure grant

Balance unspent at beginning of year	-	25 000 027
Current-year receipts	23 218 000	17 205 000
Conditions met - transferred to revenue	(15 431 857)	(17 205 000)
Other	-	(25 000 027)
	7 786 143	-

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, microenterprises and social institutions servicing poor communities; a Municipal Infrastructure Grant-2 funding stream is introduced in 2018/19 as a step towards a new funding arrangement for intermediate city municipalities to facilitate more intergrated planning and funding of capital investments.

Intergrated national electrification programme

Current-year receipts	5 825 000	18 000 000
Conditions met - transferred to revenue	(1 504 897)	(18 000 000)
	4 320 103	-

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply in Eskom licenced areas.

Urban Renewal Projects

Conditions still to be met - remain liabilities (see note 12).

IDC Grant

Balance unspent at beginning of year	1 113 202	-
Current-year receipts	3 964 000	3 020 000
Conditions met - transferred to revenue	-	(1 906 798)
	5 077 202	1 113 202

Conditions still to be met - remain liabilities (see note 12).

Energy efficiency demand grant

Balance unspent at beginning of year	120 452	-
Current-year receipts	-	3 000 000
Conditions met - transferred to revenue	-	(2 879 548)
Other	(120 452)	-

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
20. Government grants and subsidies (continued)		
	-	120 452

Conditions still to be met - remain liabilities (see note 12).

The purpose of the grant is to provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Transport Infrastructure Grant

Balance unspent at beginning of year	237 600	-
Current-year receipts	-	237 600
	237 600	237 600

Conditions still to be met - remain liabilities (see note 12).

21. Fines, Penalties and Forfeits

Fines	1 664 311	769 665

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
22. Employee related costs		
Basic	90 234 636	109 977 006
Bonus	15 457 379	7 192 426
Medical aid - company contributions	8 084 128	10 528 686
UIF	718 097	642 299
SDL	2 310 337	1 126 482
Other payroll levies	(1 632 969)	-
Leave pay provision charge	2 120 624	1 141 317
Scarcity Allowance	356 679	408 937
Travel, motor car, accommodation, subsistence and other allowances	11 392 629	5 681 362
Overtime payments	4 667 109	(4 835 082)
Long-service awards	1 753 758	2 302 916
Housing benefits and allowances	1 904 844	1 371 484
Pension	15 437 071	14 601 357
Standby allowance	563 326	32 177
Other # 8	328 720	359 288
	153 696 368	150 530 655
Remuneration of municipal manager		
Annual Remuneration	952 542	687 574
Back-pay	-	289 794
Contributions to UIF, Medical and Pension Funds	-	12 665
Travell allowance	296 810	296 810
Telephone allowance	14 400	14 400
Public official allowance	96 000	96 109
Rural allowance	51 190	51 190
	1 410 942	1 448 542
Remuneration of chief finance officer		
Annual Remuneration	425 497	-
Back pay salary	15 539	-
Contributions to UIF, Medical and Pension Funds	28 798	-
Housing allowance	114 802	-
Back pay housing allowance	9 753	-
Telephone allowance	6 750	-
Acting allowance	65 204	-
Rural allowance	29 402	-
Travel allowance	150 377	-
	846 122	-

* In the financial year of 2017/2018 the Municiplaity had Acting CFOs that were seconded by Provincial Treasury (Local Government).The CFOs' remunerations were not paid by the Municipality hence no remuneration disclosed on the AFS for prior year.

Corporate services Director

Annual Remuneration	430 679	842 190
Back pay	12 429	-
Bonuses	-	112 753
Contributions to UIF, Medical and Pension Funds	109 706	205 996
Leave term	28 690	-
Housing Allowance	119 271	114 716
Back pay housing allowance	10 716	-
Telephone allowance	4 800	9 600

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
22. Employee related costs (continued)		
Travell allowance	91 416	182 832
	807 707	1 468 087
Technical services Director		
Annual Remuneration	422 257	396 796
Back pay salary	2 314	-
Annual Bonuses	35 381	33 066
Contributions to UIF, Medical and Pension Funds	132 923	126 813
Travel allowance	129 662	129 662
Housing allowance	10 059	9 554
Telephone allowance	6 000	5 160
Long service bonus	-	15 871
Acting allowance	-	104 610
	738 596	821 542
Community Services Director		
Annual Remuneration	430 679	516 400
Back pay salary	12 429	-
Annual bonuses	-	43 033
Leave term	28 690	-
Contributions to UIF, Medical and Pension Funds	109 706	158 139
Telephone allowance	4 800	12 000
Housing allowance	119 271	-
Back pay housing allowance	10 716	-
Scarce allowance	-	52 258
Travel allowance	91 416	192 000
	807 707	973 830
23. Remuneration of councillors		
Executive Mayor	277 139	295 971
Mayoral Committee Members	6 946 403	6 824 794
Speaker	705 921	670 608
Councillors	1 490 191	934 290
	9 419 654	8 726 663

2019	Salaries	Telephone allowance	Travel allowance	Contributions	Housing allowance	Other allowance
Executive Mayor	581 016	40 800	192 763	43 576	-	1 680
Speaker	382 039	60 732	34 937	28 653	193 399	240
Mayoral Committee Members	926 818	165 196	211 320	85 063	335 135	3 144
Councillors	2 515 562	851 220	377 271	291 216	818 291	4 080
Total	4 407 435	1 117 948	816 291	448 508	1 346 825	9 144

2018	Salaries	Telephone allowance	Travel allowance	Contributions	Housing allowance	Other allowance
Executive Mayor	580 907	40 800	215 230	41 685	-	3 720
Speaker	371 435	20 868	40 117	32 600	204 797	600
Mayoral Committee Members	1 050 962	62 604	233 455	121 872	419 397	2 138
Councillors	2 265 605	309 542	439 177	280 473	923 803	16 581
Total	4 268 909	433 814	927 979	476 830	1 547 997	25 034

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
24. Depreciation and amortisation		
Property, plant and equipment	34 660 651	35 541 784
25. Finance costs		
Non-current borrowings	9 222 516	29 178 869
26. Debt impairment		
Debt impairment	72 379 113	16 724 904
27. Bulk purchases		
Electricity - Eskom	106 686 545	75 590 125
28. Contracted services		
Outsourced Services		
Administrative and Support Staff	7 236 330	8 201 754
Catering Services	-	1 800
Meter Management	9 670 185	5 373 081
Personnel and Labour	6 271 345	6 738 373
Refuse Removal	1 887 943	1 471 792
Electrical	309 967	150 055
Consultants and Professional Services		
Business and Advisory	3 754 198	733 585
Legal Cost	9 611 211	1 116 413
Contractors		
Repairs and Maintenance	615 993	1 112 070
Safeguard and Security	5 594 788	2 522 418
	44 951 960	27 421 341
29. Grants and subsidies paid		
Other subsidies		
Transfers and subsidies	-	20 214

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
30. General expenses		
Advertising	101 109	24 753
Audit Fees	3 415 372	2 167 775
Bank charges	719 011	368 794
Computer expenses	846 636	1 046 911
Consumables	238 224	2 047 815
Entertainment	5 588	-
Hire Charges	3 128 528	2 007 214
Insurance	1 593 487	1 611 797
Conferences and seminars	102 396	332 636
Motor vehicle expenses	14 755	138 068
Fuel and oil	1 801 590	1 891 473
Printing and stationery	-	(13)
Subscriptions and membership fees	5 031 378	(616 239)
Telephone and fax	2 921 640	3 373 525
Travel - local	186 569	103 165
Title deed search fees	5 645	3 768
Uniforms	-	4 473
Landfill site restoration	18 665 920	-
Maintenance Material	57 427	48 798
	38 835 275	14 574 713
31. Auditors' remuneration		
Fees	3 415 372	2 167 775
32. Cash generated from operations		
Deficit	(97 048 627)	(55 063 549)
Adjustments for:		
Depreciation and amortisation	34 660 651	35 541 784
Profit on sale of assets and liabilities	(976 860)	-
Changes in working capital:		
Inventories	(372 616)	(1 720 534)
Receivables from exchange transactions	(11 140 374)	-
Consumer debtors	-	(74 647 740)
Other receivables from non-exchange transactions	(7 512 974)	(2 358 277)
Payables from exchange transactions	44 888 220	191 233 456
VAT	34 525 455	-
Unspent conditional grants and receipts	16 070 246	3 360 361
Consumer deposits	290 581	-
Provisions	16 931 906	-
Employee benefit obligation	(14 462 089)	14 103 534
Provisions: Environmental Rehabilitation	18 665 920	-
	34 528 419	110 449 035

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	22 467 797	34 698 340
Total capital commitments		
Already contracted for but not provided for	22 467 797	34 698 340

This committed expenditure relates to property, plant and equipment and will be financed by municipal infrastructure grant (MIG) and Intergrated national energy efficiency programmes grant (INEP).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Contingencies

The municipality had the following contingent liabilities as at year end 30 June 2019 amounting to R28 813 848:

Daimler fleet management - A plea has been filed for a claim of	509 993
W.F van der ryst- claiming cost and interest damages the cables and the electricity killed the cattle of the plaintiff	100 000
Maximum profit- summoned the municipality for costs and interests for alleged services rendered for VAT recovery	897 416
Erante consultants- Claiming cost and interests regarding services rendered for elections.	2 800 000
Telkom SA- Claiming costs and interest for damage of telecommunication equipment	31 619
T Sejake- Claiming for services rendered. He claims that the services were not fully paid for	192 320
D.J Moinwe- Claiming for damages resulting from motor collision	35 304
VEC electrical wholesalers- Claiming an amount for electrical goods sold and delivered to the municipality	139 082
FBL Trading- Claiming an amount for security services provided to the municipality.	2 759 250
J.L Roos- Claiming an amount for repair works done on the municipality's motor vehicles.	16 493
Matankane Consulting engineers(pty) ltd- Claiming an amount for professional fees on engineering services provided for various projects	1 219 910
Municipal workers retirement fund- Claiming an amount plus cost and interest for contributions payable to fund	2 325 793
Municipal Gratuity Fund- Claiming an amount for payment of contributions in arrears.	500 000
Consolidated retirement fund for local government-Claiming an amount, for arears contributions of members	11 403 535
James Van Coller-Claiming an amount	42 828
VBG truck-Claiming amount of R 39 9000 for alleged services rendered from the local department to extension 25 and later summoned the municipality (GN5294) for an amount of	564 610
Mabasotho-Instituted an action for payment and obtained default judgement against NLM and we filed the rescission application and it was successful and we filed a defendant's plea	5 277 633
Karenza Erasmus- Summons issued against municipality for an amount	6 060
	28 813 848

Contingent assets

The municipality had the following Contingent Assets as at year end:
1.Besicor Trading- Application in the high court after electricity cut and opponents was opposed sucessfully.
2.Best ever Trading & F.Postana- Summons were issued against Best ever trading and F. Postana. It is probable that the municipality will get R3 000 000.
3.Cathy Construction- In this matter the municipality claimed an amount of R97 200 for goods delivered and sold.
4.Shatsane systems- Shatsane withdrew their action and therefore a cost order was delivered to Shatsane of an amount of R112 306,28.
5.I du T Fourie-Municipality issued summons against Mr.Izak du Toit.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Related parties

Relationships	Nature of relationship
Members of key management	Refer to employee cost note 22
Dr Ruth District municipality	Provision of water and shared internal audit services.

Related party balances

Loan accounts - Owing (to) by related parties		
Dr Ruth District municipality	(34 202 328)	(34 202 328)

36. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivables from exchange transactions	57 312 375	57 916 932
Receivables from non exchange transactions	4 199 032	2 336 537
VAT receivable	11 401 271	37 721 210

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 80% of its borrowings in fixed rate instruments. During 2019 and 2018, the municipality's borrowings at variable rate were denominated in the Rand and the UK pound.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

38. Fruitless and wasteful expenditure

39. Irregular expenditure

Opening balance	226 823 039	177 698 837
Opening balance as restated	226 823 039	177 698 837
Add: Irregular Expenditure - current	6 540 112	49 124 202
Closing balance	233 363 151	226 823 039

40. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	5 302 263	3 580 107
Current year subscription / fee	1 772 093	1 735 903
Amount paid	(172 078)	(13 747)
	6 902 278	5 302 263

Audit fees

Opening balance	2 629 223	-
Current year fee	3 927 678	2 473 881
Current year interest on outstanding balance	462 073	155 342
Amount paid	(179 501)	-
	6 839 473	2 629 223

PAYE

Current year charge	20 219 383	18 727 859
Amount paid - current year	(20 219 383)	(18 727 859)
	-	-

SDL

Current year subscription / fee	1 386 835	1 346 431
Amount paid - current year	(1 386 835)	(1 346 431)
	-	-

UIF

Current year charge	844 338	870 685
Amount paid during the year	(844 338)	(870 685)
	-	-

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018

40. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Modise MR	-	207	207
Mustafa M	-	3 151	3 151
Bareng BP	-	25 537	25 537
	-	28 895	28 895

30 June 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Philander H/KL	-	75 870	75 870
Mustafa MS	-	2 899	2 899
Bareng BP	-	2 090	2 090
Renoster EP	-	2 409	2 409
Skalk NW	-	10	10
	-	83 278	83 278

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

41. Revenue

Service charges	207 428 388	145 602 667
Rental of facilities and equipment	2 703 299	2 372 157
Interest income	18 606 702	16 440 196
Licences and permits	5 016 051	5 732 114
Gain on disposal of assets	976 860	508 210
Other income	1 257 087	1 418 227
Property rates	52 530 533	46 057 550
Interest income	3 865 550	4 543 433
Government grants & subsidies	65 974 754	83 088 520
Fines, Penalties and Forfeits	1 664 311	769 665
	360 023 535	305 532 739

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	207 428 388	145 602 667
Rental of facilities and equipment	2 703 299	2 372 157
Interest income	18 606 702	16 440 196
Licences and permits	5 016 051	5 732 114
Gain on disposal of assets	976 860	508 210
Other income	1 257 087	1 418 227
	235 988 387	172 073 571

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

41. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	52 530 533	46 057 550
Interest income	3 865 550	4 543 433
Transfer revenue		
Government grants & subsidies	65 974 754	83 088 520
Fines, Penalties and Forfeits	1 664 311	769 665
	124 035 148	134 459 168

42. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	71 144 555	71 144 555
Receivables from non-exchange transactions	7 463 694	7 463 694
Cash and cash equivalents	7 915 410	7 915 410
	86 523 659	86 523 659

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13 236 851	13 236 851
VAT Payable	34 510 881	34 510 881
Payables from exchange transactions	552 106 355	552 106 355
Consumer deposits	8 212 670	8 212 670
	608 066 757	608 066 757

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	58 645 611	58 645 611
Receivables from non-exchange transactions	18 034 192	18 034 192
VAT Receivable	25 836 229	25 836 229
	102 516 032	102 516 032

Financial liabilities

	At amortised cost	Total
Other financial liabilities	13 566 319	13 566 319
Payables from exchange transactions	511 607 893	511 607 893
Consumer deposits	7 922 109	7 922 109
	533 096 321	533 096 321

46. Prior period errors (continued)

Statement of Financial Position

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated
Assets					
Current Assets					
Inventories	2	2 253 677	(533 143)	-	1 720 534
VAT Receivables		17 613 925	8 038 529	-	25 652 454
Receivables from non-exchange transactions	3	14 508 079	(12 149 802)	-	2 358 277
Receivables from exchange transactions	4	74 550 113	(16 627 277)	-	57 922 836
Cash and cash equivalents	5	2 591 295	39 045 840	-	41 637 135
		111 517 089	**17 774 147**	-	**129 291 236**
Non-Current Assets					
Biological assets	6	-	1 534 536	-	1 534 536
Property, plant and equipment	7	1 207 679 905	27 235 265	-	1 234 915 170
Heritage assets	8	709 286	393 214	-	1 102 500
		1 208 389 191	**29 163 015**	-	**1 237 552 206**
Total Assets		**1 319 906 280**	**46 937 162**	-	**1 366 843 442**
Liabilities					
Current Liabilities					
Other financial liabilities	9	12 058 547	(6 950 775)	-	5 107 772
Payables from exchange transactions	10	513 534 015	(4 405 064)	-	509 128 951
Employee benefit obligation	11	-	1 672 171	-	1 672 171
Unspent conditional grants and receipts	12	2 925 619	434 742	-	3 360 361
Provisions	13	5 950 164	19 597 216	-	25 547 380
Consumer deposits		6 406 172	1 515 937	-	7 922 109
		540 874 517	**11 864 227**	-	**552 738 744**
Non-Current Liabilities					
Other financial liabilities	9	8 055 895	402 652	-	8 458 547
Employee benefit obligation	11	-	63 104 261	-	63 104 261
Provisions	13	69 665 168	(62 983 654)	-	6 681 514
		77 721 063	**523 259**	-	**78 244 322**
Total Liabilities		**618 595 580**	**12 387 486**	-	**630 983 066**
Net Assets		**701 310 700**	**34 549 676**	-	**735 860 376**
Reserves					
Revaluation reserve	14	2 470 085	-	-	2 470 085
Accumulated surplus		700 920 867	32 469 415	-	733 390 282
Total Net Assets		**703 390 952**	**32 469 415**	-	**735 860 367**

* See Note 46

46. Prior period errors (continued)

Statement of Financial Performance for the year ending 30 June 2019

Figures in Rand	Note(s)	Previously reported	Adjustment	Re-classification	Restated
Revenue					
Revenue from exchange transactions					
Service charges	15	148 416 969	(2 814 302)	-	145 602 667
Rental of facilities and equipment		2 776 594	(404 437)	-	2 372 157
Interest received (trading)		23 861 185	(7 420 989)	-	16 440 196
Licences and permits		5 221 107	511 007	-	5 732 114
Other income		-	508 210	-	508 210
Other income	18	4 456 415	(3 038 188)	-	1 418 227
Total revenue from exchange transactions		**184 732 250**	**(12 658 679)**	**-**	**172 073 571**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	19	46 057 550	-	-	46 057 550
Interest, Dividends and Rent on Land		-	4 543 433	-	4 543 433
Transfer revenue					
Government grants & subsidies	20	103 005 574	(19 917 054)	-	83 088 520
Fines, Penalties and Forfeits		4 311 914	(3 542 249)	-	769 665
Total revenue from non-exchange transactions		**153 375 038**	**(18 915 870)**	**-**	**134 459 168**
Total revenue	41	**338 107 288**	**(31 574 549)**	**-**	**306 532 739**
Expenditure					
Employee related costs	22	(161 555 358)	11 024 703	-	(150 530 655)
Remuneration of councillors	23	(7 712 670)	(1 013 993)	-	(8 726 663)
Depreciation and amortisation	24	(43 477 451)	7 935 667	-	(35 541 784)
Finance costs	25	(32 225 902)	3 047 033	-	(29 178 869)
Debt Impairment	26	(15 488 214)	(1 236 690)	-	(16 724 904)
Repairs and maintenance		(2 055 560)	2 055 560	-	-
Bulk purchases	27	(78 311 879)	2 721 754	-	(75 590 125)
Contracted services	28	(11 164 185)	6 321 419	(22 558 575)	(27 421 341)
Transfers and Subsidies	29	(20 214)	-	-	(20 214)
Fair value adjustments		-	-	-	-
Actuarial losses		-	(3 287 020)	-	(3 287 020)
General Expenses	30	(17 966 478)	(19 166 810)	22 558 575	(14 574 713)
Total expenditure		**(369 997 911)**	**8 401 623**	**-**	**(361 596 288)**
Deficit for the year		**(370 180 864)**	**8 584 576**	**-**	**(55 063 549)**

The accounting policies on pages 14 to 31 and the notes on pages 32 to 64 form an integral part of the annual financial statements.

* See Note 46

"ESK-02"

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

In the matter regarding

DETERMINATION OF THE MUNICIPAL TARIFF GUIDELINE INCREASE FOR THE FINANCIAL YEAR 2020/21 AND THE REVISION OF MUNICIPAL TARIFF BENCHMARKS

The decision of the National Energy Regulator of South Africa (NERSA) of 14 May 2020 on the municipal guidelines and benchmarks is structured as follows:

1. Decision on structural changes to tariff benchmarks
2. Decision on the guideline increase
3. Decision on tariff benchmarks
4. Decision on financial indicators
5. Decision on above-guideline tariff applications

DECISION

1. The structural changes to tariff benchmarks to close the gap between Eskom and Municipal tariff is postponed to a date in future.

2. A guideline increase of 6.22% is approved for the 2020/21 municipal tariff review process. The guideline increase is based on the following assumptions:

   2.1 Bulk purchases have been increased by 6.9% in line with Eskom's tariff increase to municipalities.

   2.2 Salary and wage increases of 6.5% have been applied in line with circular no. 6/2018 Salary and Wage Collective Agreement, which is effective for the period from 1 July 2018 to 30 June 2021.

   2.3 Finance costs have been decreased by 225 basis points (2.25%) and is applied on finance costs in line with the reduction announcements by the Reserve Bank Governor.

   2.4 Notified Maximum Demand (NMD) penalties have been increased by 0%.

2.5 Repairs and maintenance, and other expenses (including depreciation) have been increased by a consumer price index (CPI) of 4.6%[1].

3. Tariff Benchmarks are approved in line with the tables below for implementation in 2020/21. The assumed kilowatt hours (kWh) is for usage per month.

3.1 Domestic Benchmarks

Table 1: Average Domestic IBT Benchmarks

	Domestic Inclining Block Tariffs (IBTs)			
	Block 1 (0-50 kWh) R.c/kWh	Block 2 (51-350 kWh) R.c/kWh	Block 3 (351-600 kWh) R.c/kWh	Block 4 (>600 kWh) R.c/kWh
Excl VAT	R1.01 - R1.10	R1.32 - R1.41	R1.88 - R1.99	R2.26 - R2.34
Incl VAT	R1.16 - R1.26	R1.52 - R1.62	R2.17 - R2.29	R2.60 - R2.69

Table 2: Alternative Domestic low IBT

	Domestic Low IBT	
	Block 1 (0-350 kWh) R.c/kWh	Block 2 (>350 kWh) R.c/kWh
Excl VAT	R1.28 - R1.35	R1.86 - R1.95
Incl VAT	R1.47 - R1.55	R2.13 - R2.24

Table 3: Alternative Domestic high IBT

	Domestic High IBT	
	Block 1 (0-350 kWh) R.c/kWh	Block 2 (>350 kWh) R.c/kWh
Excl VAT	R1.24 - R1.32	R1.83 - R1.91
Incl VAT	R1.43 - R1.52	R2.10 - R2.20

Table 4: Average Domestic Non-IBT Benchmarks

	Domestic Non- IBT	
	Domestic Low (0-400 kWh) R.c/kWh	Domestic High (>400 kWh) R.c/kWh
Excl VAT	R1.41 - R1.50	R1.78 - R1.84
Incl VAT	R1.62 - R1.73	R2.04 - R2.12

[1] The Consumer Price Index used is 4.6% as forecast by the Bureau of Economic Research (BER) for 2020/21.

3.2 Average Commercial Benchmarks

3.2.1 Commercial Single Phase

Table 5: Average Commercial Prepaid: Single Phase

	Commercial Prepaid (2 000 kWh)		
	R.c/kWh		
Excl VAT	R2.35	-	R2.44
Incl VAT	R2.71	-	R2.81

Table 6: Average Commercial Conventional Low: Single Phase

	Commercial Low (2 000 kWh)		
	R.c/kWh		
Excl VAT	R2.18	-	R2.25
Incl VAT	R2.51	-	R2.59

Table 7: Average Commercial Conventional Medium: Single Phase

	Commercial Medium (3 000 kWh)		
	R.c/kWh		
Excl VAT	R2.11	-	R2.20
Incl VAT	R2.42	-	R2.53

Table 8: Average Commercial Conventional High: Single Phase

	Commercial High (7 000 kWh)		
	R.c/kWh		
Excl VAT	R1.86	-	R1.95
Incl VAT	R2.13	-	R2.24

3.2.2 Commercial Three-Phase

Table 9: Average Commercial Prepaid: Three Phase

	Commercial Low (5500 kWh)		
	R.c/kWh		
Excl VAT	R2.35	-	R2.44
Incl VAT	R2.71	-	R2.81

Table 10: Average Commercial Conventional Low: Three Phase

	Commercial Low (5500 kWh)		
	R.c/kWh		
Excl VAT	R1.86	-	R1.93
Incl VAT	R2.14	-	R2.23

Table 11: Average Commercial Conventional Medium: Three Phase

	Commercial Medium (11500 kWh)		
	R.c/kWh		
Excl VAT	R1.77	-	R1.84
Incl VAT	R2.03		R2.12

Table 12: Average Commercial Conventional High: Three Phase

	Commercial High (22 000 kWh)		
	R.c/kWh		
Excl VAT	R1.73	-	R1.80
Incl VAT	R1.98	-	R2.07

3.3 Agriculture Benchmarks

Table 13: Average Agriculture Low

	Agriculture Low (2000 kWh)		
	R.c/kWh		
Excl VAT	R2.54	-	R2.61
Incl VAT	R2.92	-	R3.01

Table 14: Average Agriculture Medium

	Agriculture Medium (3000 kWh)		
	R.c/kWh		
Excl VAT	R2.41	-	R2.48
Incl VAT	R2.77	-	R2.86

Table 15: Average Agriculture High

	Agriculture High (7000 kWh)		
	R.c/kWh		
Excl VAT	R2.05	-	R2.13
Incl VAT	R2.36	-	R2.45

3.4 Industrial Benchmarks

Table 16: Average Industrial Low

	Industrial Low (48 800 kWh)		
	R.c/kWh		
Excl VAT	R2.13	-	R2.24
Incl VAT	R2.45	-	R2.57

Table 17: Average Industrial Medium

	Industrial Medium (98 550 kWh)		
	R.c/kWh		
Excl VAT	R2.09	-	R2.17
Incl VAT	R2.41	-	R2.50

Table 18: Average Industrial High

	Industrial High (730 000 kWh)		
	R.c/kWh		
Excl VAT	R1.88	-	R1.96
Incl VAT	R2.17	-	R2.26

Table 19: Average Industrial Time of Use (TOU): Megaflex

	Industrial TOU (1 323 MWh)		
	R.c/kWh		
Excl VAT	R1.63	-	R1.72
Incl VAT	R1.88	-	R1.97

Table 20: Average Industrial Time of Use (TOU): Nightsave

	Industrial TOU (1 323 MWh)		
	R.c/kWh		
Excl VAT	R2.41	-	R2.49
Incl VAT	R2.77	-	R2.86

4. Tariff Application Assessment

4.1 Municipalities are encouraged to develop time-of-use and seasonal tariffs to enable the customer to benefit from shifting their load, as well as to enable the recovery of bulk purchase costs. The Energy Regulator will consider tariff structures that are different from the NERSA benchmark structures.

4.2 Furthermore, performance will be assessed based on the indicators outlined in Table 21 below.

Table 21: Performance indicators

Performance indicators	Benchmark	Acceptable range
Gross profit margin (%):	60	58 - 62
Net profit margin (%):	15	10 - 20
Percentage Power Cost: (%)	75	58 - 78
Energy Losses: (%)	10	5 - 12
Revenue collection rate (%)	95	85 - 100
Repairs & Maintenance (% of revenue)	6	6 - 15

4.3 The municipalities are encouraged to improve on their revenue collection, and energy losses, as well as to spend sufficiently on the repair and maintenance of their networks to ensure sustainable, good quality service delivery. This will ensure that a licensee earns a sufficient net profit margin after all costs have been taken into account.

5. Above-Guideline Increases

5.1 Municipalities applying for an increase that is above the guideline will have to justify their increases to the Energy Regulator, and should meet the following requirements:

a) The additional revenue should be quantified per customer category, including the forecast sales assumptions.
b) A detailed plan on the projects on which the additional funds will be used should be provided.
c) The approved additional revenue must be ring-fenced and strictly used for the identified projects. Failure to comply will result in the additional revenue being clawed back in the following year.
d) Municipalities must report to NERSA on a six-month basis on how the additional funds are being used.

5.2 NERSA reserves the right to request any additional information to assist in assessing a tariff application.

5.3 Failure to provide, or partial provision of, the above additional information will result in the tariff application being considered as a guideline increase application.

End.

11 ESK 03

Eskom	Meeting minutes	Unique Identifier	240-54043701	Rev	5
		Document Type	Template		
		Next review date	October 2017		
		Effective Date	15 October 2014		

Meeting Name: Naledi LM Arrear Debts Meeting

Date:	Time:	Venue:	Meeting No.:
23 July 2019	10:00 AM – 13:30 PM	Eskom GS Boardroom	2019

Attendance Register

Name	Responsibility	Initials	Present (P) / Apologies (A) / Absent (X)
Abram Tumane	Key Customer Relations Manager	AT	P
Azwi Mamanyuha	General Manager- NWOU	AM	P
Kolodi Makola	Senior Manager - NWOU	KM	P
Paul Maseko	Municipal Administrator – Naledi LM	PM	P
Thabo Tsotetsi	Manager Electrical Naledi LM	TT	P
Lebogang Molawe	Infra-Structure Naledi LM	LM	P
Khudu Nkhekang	Customer Services	KN	P

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Reg No 2002/015527/30.

Eskom	Meeting minutes	Unique Identifier	240-54043701	Rev	6
		Document Type	Template		
		Next review date	October 2017		
		Effective Date	15 October 2014		

Item	Description	Action	Responsible Person	Target date
1.	Opening and Welcome	AM welcomed all and declared the meeting open. AM gave an opportunity to all to introduce themselves.	AM	
2.	Declaration of conflicting of Interest	No conflicting interests to declare.	All	
3.	Confirmation of Health and Safety (Evacuation Procedure)	Emergency evacuation procedure was shared with all	KN	
4.	Apologies	Apologies were noted. Councelor Neo Schalk – Mayor Naledi LM Ms Thandazile Mazibuko – Senior Manager Eskom	All	
5.	Acceptance of agenda	The agenda was accepted as is by all	All	
6.	Confirmation and Corrections of previous minutes	No previous minutes.	All	

7Disclosure Classification (e.g. Public)

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Reg No 2002/015527/30.

Item	Description	Action	Responsible Person	Target date
7.	Overview	AM gave a brief overview. When accounts are not paid Eskom switches off the supply. The level of debts in the province has escalated so much and is of great concern. It is important for us to work together to deliver services to the community. Eskom has upgraded the substations around Naledi. AM expressed his disappointment on the way the Municipality is working with Eskom. AM questioned the Municipal officials on where is the problem and the reason why Eskom accounts are not paid and the following transpired. • Unmetered points • HML that on all day • Colleagues resisting to do their duties • 6 Weeks strike at the Municipality • Skilled Manpower • Salary bill went up due to the appointment of 243 employees permanently PM mentioned that the situation is not normal at the Municipality and they need support from Eskom. They are not sure on when the offices will be open, but they have measures in place to	Info	

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Item	Description	Action	Responsible Person	Target date
		recover the revenue. Municipality has R5m in their bank account, expecting R 22m from the equitable shares less salaries of R 12m, third parties R4.4m balance will be R11.4m. Municipality is prepared to pay R11m and R14m by the 14 Aug to avoid the interruption. They will also sign the payment arrangement and send before 31 August 2019.		
8.	Conclusion	Municipality to pay R11m and R14m by the 14 Aug to avoid the interruption. They will also sign the payment arrangement and send before 31 August 2019. AM signed the letter of PAIA reinstatement and gave them to the Administrator. Publication will be 14 August 2019 and 25 August will be the start date of supply interruption AM asked the Municipality to request assistance where they are challenged. There also Government programmes (ESETA) to assist training employees.	PM	14.08.2019

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Item	Description	Action	Responsible Person	Target date
12.	General, date of next meeting and Closure	Meeting was adjourned		

Minutes submitted by:

Approved by: Signature:

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"ESK 04"

Local Municipality / Masepala wa Selegae / Plaaslike Munisipaliteit

NALEDI

MARKET STREET /MMILA WA MARKET / MARKSTRAAT 19A
P.O. BOX / LEBOKOSE POSE / POSBUS 35
VRYBURG
8600
TELEPHONE / MOGALA / TELEFOON (053) 928-2199 / 2200
FAX / FEKESE / FAKS (053) 927 3482

DEPARTMENT / LEFAPHA / DEPARTEMENT : MUNICIPAL MANAGER

Ref no / No Tshupelso / Verw no : 5/9/1

Enquiries / Dipotsiso / Navrae : BLOOM/ev

11 May 2018

The General Manager: North West
Eskom: Operating Unit
P. O. Box 1319
RUSTENBURG
0300

Attention: Mr. Sam Mosella E-Mail: azmi.mamanyuha@eskom.co.za

Sir

EXTRACT OF COUNCIL RESOLUTION NUMBER 696/2018

During the Council meeting held on 10 May 2018, Council resolved per Council Resolution Number 696/2018 as follows:-

Finance: Eskom Payment Arrangement

Resolved

" 1. *That Council adopts the payment arrangement.*

2. *That Council ensures that the current accounts are serviced.*

3. *That Council adheres to the payment arrangement."*

Regards

N W SKALK
MAYOR

"ESK 05"

Eskom	Meeting minutes	Unique Identifier	240-64043701	Rev	6
		Document Type	Template		
		Next review date	October 2017		
		Effective Date	15 October 2014		

Meeting Name: Naledi LM Arrear Debts Meeting

Date:	Time:	Venue:	Meeting No.:
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Azwi Mamanyuha	General Manager- NWOU	AM	P
Kolodi Makola	Senior Manager - NWOU	KM	P
Paul Maseko	Municipal Administrator – Naledi LM	PM	P
Thabo Tsoleli	Manager Electrical Naledi LM	TT	P
Lebogang Molawa	Infra-Structure Naledi LM	LM	P
Khudu Nishekang	Customer Services	KN	P

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6.	Confirmation and Corrections of previous minutes	No previous minutes.	All	

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Item	Description	Action	Responsible Person	Target date
12.	General, date of next meeting and Closure	Meeting was adjourned		

Minutes submitted by:

Approved by:

Signature:

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"ESK 06"

LOCAL MUNICIPALITY / MASEPALAWASELEGAE/PLAASLIKE MUNISIPALITEIT

NALEDI

MARKET STREET/MMILA WA MARKET/MARKSTRAAT 19A
P.O. BOX / LEBOKOSE POSE / POSBUS 35
VRYBURG
8600

TELEPHONE/MOGALA/TELEFOON (053) 928-2199 / 2200

FAX / FEKESE / FAKS (053) 927 3402

DEPARTMENT :
LEFAPHA : MUNICIPAL MANAGER
DEPARTEMENT :

Ref. No. :
No. Tshupelso : 5/9/1
Verw. Nr.

Enquiries
Dipotsiso PM MASEKO
Navrae

12 August 2019

Mr Azwi Mamanyuha
ESKOM: GENERAL MANAGER NORTH WEST PROVINCE OPERATING UNIT
PO BOX 2570
KLERKSDORP
2571

Email:azwi.mamanyuha@eskom.co.za

Dear Sir,

Kindly note that the Municipality is under the administration (Section 139(1)B.The municipality acknowledges the debt owed to your entity.

The attached is the signed payment plan agreement; The plan is to ensure that the attached agreement is honoured.

I hope that you will find the above in order.

Yours faithfully

P M Maseko
Administrator

Scanned by CamScanner

Ir ESK. 07 '1

Eskom

Ms Faith Khoza
Acting Chief Financial Officer
Naledi Local Municipality
PO Box 35
VRYBURG
8600

Date:
31 October 2019

Enquiries:
Abram Tumane
Tel +27 18 387 6111

Dear Ms Khoza

NOTIFICATION TO CONTINUE WITH IMPLEMENTATION OF THE PROMOTION OF ADMINISTRATIVE JUSTICE ACT, NO 3 OF 2000, IN NALEDI LOCAL MUNICIPALITY

1. We refer to the existing electricity supply agreement between Eskom Holdings SOC Limited and Naledi Local Municipality in terms of which Eskom is currently supplying electricity to the Municipality.

2. The Municipality has failed to pay to Eskom R289 995 255.00 **(Two hundred and eighty-nine million nine hundred and ninety-five thousand and two hundred and fifty-five rand only) including VAT** for electricity consumed on account numbers 6757742615, 7264448728 and 7778082122.

3. The Municipality is in breach of the debt repayment plan and the electricity supply agreement as it has failed to pay according to the agreed amounts on the due dates under the repayment plan and the electricity supply agreement.

4. In terms of the provisions of both the Electricity Regulation Act, No 4 of 2006, and the electricity supply agreement with Naledi Local Municipality, Eskom is entitled to disconnect the supply of electricity of defaulting municipalities, of which Naledi Local Municipality is one, on account of non-payment of electricity debt. Such a notice will be published in local media on 20 November 2019

5. The intended interruption of electricity supply will result in temporary scheduled disconnection from 05 December 2019 at the following times:

Week 1 (05 December 2019 to 11 December 2019)

Monday to Friday	Saturday and Sunday
06h00 – 08h00	08h30 – 11h00
17h00 – 19h30	15h00 – 17h30

Week 2 (11 December 2019 to 18 December 2019)

Monday to Friday	Saturday and Sunday
06h00 – 09h00	08h30 – 12h00
17h00 – 20h30	15h00 – 19h00

North West Operating Unit
Customer Services Department
14-16 Kgwebe Street Mafa Park Rustenburg 0300
PO Box 1319 Rustenburg 0300 SA
Tel +27 14 523 7212 Fax +27 86 537 4050 www.eskom.co.za
Eskom Holdings SOC Ltd Reg No 2002/015527/30

Week 3 (19 December 2019 to unspecified)

Monday to Friday	Saturday and Sunday
06h00 – 20h00	06h00 – 20h00

Notwithstanding the above proposed indicative times for the interruption of electricity supply, Eskom may, upon 15 calendar days' notice, disconnect electricity supply entirely and indefinitely should the electricity debt situation not improve.

Eskom advises that you please inform all parties that are likely to be affected by the intended interruption of bulk electricity supply to take all the necessary precautions to ensure the safety of lives and to limit damage to their equipment, operations and business.

All Eskom's rights are reserved.

Yours sincerely

Azwimbavhi Mamanyuha
General Manager: North West Operating Unit

Eskom

Cllr Neo Schalk
Municipal Mayor
Naledi Local Municipality
PO Box 35
VRYBURG
8600

Date
31 October 2019

Enquiries
Abram Tumane
Tel +27 18 387 6111

Dear Cllr Neo Schalk

NOTIFICATION TO CONTINUE WITH IMPLEMENTATION OF THE PROMOTION OF ADMINISTRATIVE JUSTICE ACT, NO 3 OF 2000, IN NALEDI LOCAL MUNICIPALITY

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North West Operating Unit
Customer Services Department
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PO Box 1319 Rustenburg 0300 SA
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Eskom Holdings SOC Ltd Reg No 2002/015527/30

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All Eskom's rights are reserved

Yours sincerely

Azwimbavhi Mamanyuha
General Manager: North West Operating Unit

Eskom

Ms Lorato Gasealawe
Acting Municipal Manager
Naledi Local Municipality
PO Box 35
VRYBURG
8600

Date:
31 October 2019

Enquiries:
Abram Tumane
Tel +27 18 387 6111

Dear Ms Gasealawe

NOTIFICATION TO CONTINUE WITH IMPLEMENTATION OF THE PROMOTION OF ADMINISTRATIVE JUSTICE ACT, NO 3 OF 2000, IN NALEDI LOCAL MUNICIPALITY

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Customer Services Department
14-16 Kgwabo Street Malle Park Rustenburg 0300
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Eskom Holdings SOC Ltd Reg No 2002/015527/30

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All Eskom's rights are reserved.

Yours sincerely

Azwimbavhi Mamanyuha
General Manager: North West Operating Unit

"ESK 08"

LOCAL MUNICIPALITY / MASEPALA WA SELEGAE / PLAASLIKE MUNISIPALITEIT

MARKET STREET/MMILA WA MARKE T/MARKSTRAAT 19A
P O BOX / LEBOKOSE POST / POSBUS 35
VRYBURG
8600

TELEPHONE/MOGALA/TELEFOON (053) 928 7100 / 7200
FAX / FAKESE / FAKS (053) 927 3482

Address all letters to the Municipal Manager
Makwalo otlhe a tlhomiwa go Motsamaisi wa Masepala
Rig alle briewe aan die Munisipale Bestuurder

NALEDI

DEPARTMENT
LEFAPHA
DEPARTEMENT MUNICIPAL MANAGER

Ref No
No Tshupelso
Verw Nr

Enquiries
Dipotsiso NW SKALK

08th NOVEMBER 2019

GENERAL MANAGER: HEAD OPERATING UNIT
ESKOM
MEGAWATT PARK
MAXWELL DRIVE
SANDTON
JOHANNESBURG
2000

Dear Sir/Madam

REQUEST FOR MEETING ON NOTIFICATION TO CONTINUE IMPLEMENTATION OF THE PROMOTION OF ADMINISTRATION JUSTICE ACT, NO 3 OF 2000, IN NALEDI L. MUNICIPALITY

This letter has reference to your notice dated 31st October 2019.

I have received a self- explanatory notice of intend to continue with implementation of the promotion of administration Justice Act, No 3 of 2000, in Naledi Local Municipality I wish to bring to your attention that since August 2016, the Mayor of Naledi Local Municipality, I was immediately confronted with the same notification of intend of the PAJA which we have honored, amounting to R33m then. And also in between years there were number of the same notifications.

We have realized that the agreement entered into between ourselves and Eskom have not been sustainable due to our cash flow problems. Currently, we have embarked on the Mayoral Outreach Program so as to encourage the Community and inculcate the culture to payment of Municipal Services as directed by SALGA (Refer to the attached schedule of meetings) Save to say that we are receiving positive response from the Community to start paying for the Municipal Services consumed

During the same Outreach meetings it was also raised that ESKOM must also honor paying for infrastructural properties in the land of the Municipality since 1992

It is against this background that I humbly request a joint meeting between the Municipality and ESKOM to discuss a way forward and to agree on an affordable and sustainable payment of our debt. The envisaged meeting is suggested to be at your Head Office in Johannesburg on the 14th November 2019. We will extend the invitation to the Office of the Premier, MEC for Finance and MEC for COGHTA in our province.

N.B Please confirm the meeting with Mrs Bongi Kies in my office at 053 928 2213 / 072 064 2640 on receipt of this communique.

I am looking forward to the fruitful meeting.

Yours kindly

IW SKALK
MAYOR

NALEDI LOCAL MUNICIPALITY

MAYORAL OUTREACH PROGRAMME/LENAANE PHITLHELELO LA RRATOROPO

NOTICE

Naledi Local Municipality hereby invite all members of the Community to attend the Mayoral Outreach meetings which will take place in the Municipal respective Wards. The Outreach is a direct interaction between the Mayor and Community members. These meetings are aimed at tabling the Municipal Plans for the year ahead as stipulated in the Integrated Development Plan (IDP) and also address queries, concerns and inputs that Community members might have regarding service delivery. Kindly note that all sector departments have been invited to accompany the Mayor during the Outreach on the following dates.
All residents, business institutions are requested to attend these public consultation outreach meetings.

ISITSISO

Baagi ba lalodiwa go tla kopanong go buisana le Rratoropo wa Mmasepala go ya ka di-Ward tse di farologaneng Puisano le Rratoropo e ikemiseditse go tla go sedimosetsa baagi ka lenaneo la Mmasepala la ngwaga go ya ka Lenaneo Tekanyetso Kabo (IDP) la Mmasepala wa Selegae wa Naledi. Maitlhomamogolo ke go buisana mmogo le baagi ka ditshwaelo, ditlelebo mmogo le tshedimosetso e e maleba e baagi b aka tswang ba na le yone mabapi le ditiro tse Mmasepala o neelanang ka tsona. Ela tlhoko gore Mafapha a a farologaneng a Puso a tla bo a lelegedilse Rratoropo go tla go sedimosetsa baagi ka ditirelo tseo a lanang ka tsona. Dipuisano le baagi di tla diragala go ya ka malatsi le nako e e latelang.

WARD/KAROLO	VENUE/LEFELO	DATE/LETLHA	TIME/NAKO
WARD 10	HUHUDI HALL	30 SEPTEMBER 2019	17H00
WARD 06	HUHUDI HALL	01 OCTOBER 2019	17H00
WARD 08	HUHUDI GYMNASIUM	02 OCTOBER 2019	17H00
WARD 04	PULE LEEUW SCHOOL	03 OCTOBER 2019	17H00
WARD 09	THUTO LESEDI SCHOOL	07 OCTOBER 2019	17H00
WARD 02	ROYDEN WEG (OPEN SPACE)	08 OCTOBER 2019	17H00
WARD 03	FLORADENE PRIMARY SCHOOL	09 OCTOBER 2019	17H00
WARD 01	REIKGARATLHILE-STELLA	10 OCTOBER 2019	16H00
WARD 07	PHASE 4 EXT 28 SPORTS GROUND (OPEN SPACE)	14 OCTOBER 2019	17H00
WARD 01	GEDULTSPAN	15 OCTOBER 2019	10H00
	DEVONDALE SCHOOL		14H00
	BRDEDESPUT		17H00
WARD 05	DITHAKWANENG TRIBAL HALL	16 OCTOBER 2019	11H00
WARD 07	EXT. 25 (TAXI RANK)	17 OCTOBER 2019	17H00

Enquiries on the above program call Mr Tuelo Tikane on 053 928 2255 during office hours. Go iponela tshedimosetso lalelsa 053 928 2255.

P.MASEKO
ADMINISTRATOR

NOTICE NO: 02/2019

"ESK 09"

Eskom

Hon Gordon Kegakilwe
MEC for Cooperative Governance, Human Settlement and Traditional Affairs
PO Box X2135
Mmabatho
2735

Date
03 December 2019

Enquiries
Sebata Zondo
Tel +27 11 800 8654

Dear MEC Kegakilwe

NOTIFICATION TO CONTINUE WITH IMPLEMENTION OF THE PROMOTION OF ADMINISTRATIVE JUSTICE ACT, NO 3 OF 2000, IN NALEDI LOCAL MUNICIPALITY

1 We refer to the existing electricity supply agreement between Eskom Holdings SOC Limited and Naledi Local Municipality in terms of which Eskom is currently supplying electricity to the Municipality

2 The Municipality has failed to pay to Eskom **R289 995 255.00 (Two hundred and eighty-nine million nine hundred and ninety-five thousand and two hundred and fifty-five rand only) including VAT** for electricity consumed on account numbers 6757742615, 7264448728 and 7778082122

3 The Municipality is in breach of the debt repayment plan and the electricity supply agreement as it has failed to pay according to the agreed amounts on the due dates under the repayment plan and the electricity supply agreement

4 In terms of the provisions of both the Electricity Regulation Act, No 4 of 2006, and the electricity supply agreement with Naledi Local Municipality, Eskom is entitled to disconnect the supply of electricity of defaulting municipalities, of which Naledi Local Municipality is one, on account of non-payment of electricity debt. Such a notice will be published in local media on 20 November 2019.

5 The intended interruption of electricity supply will result in temporary scheduled disconnection from 05 December 2019 at the following times:

Week 1 (05 December 2019 to 11 December 2019)

Monday to Friday	Saturday and Sunday
06h00 – 08h00	08h30 – 11h00
17h00 – 19h30	15h00 – 17h30

Week 2 (12 December 2019 to 18 December 2019)

Monday to Friday	Saturday and Sunday
06h00 – 09h00	08h30 – 12h00
17h00 – 20h30	15h00 – 19h00

North West Operating Unit
Customer Services Department
14-16 Kgwebo Street Mabe Park Rustenburg 0300
PO Box 1319 Rustenburg 0300 SA
Tel +27 14 523 7212 Fax +27 86 537 4060 www.eskom.co.za
Eskom Holdings SOC Ltd Reg No 2002/015527/06

Week 3 (19 December 2019 to unspecified)

Monday to Friday	Saturday and Sunday
06h00 – 20h00	06h00 – 20h00

Notwithstanding the above proposed indicative times for the interruption of electricity supply, Eskom may, upon 15 calendar days' notice, disconnect electricity supply entirely and indefinitely should the electricity debt situation not improve

Eskom advises that you please inform all parties that are likely to be affected by the intended interruption of bulk electricity supply to take all the necessary precautions to ensure the safety of lives and to limit damage to their equipment, operations and business

All Eskom's rights are reserved.

Yours sincerely

Mr Azwimbavhi Mamanyuha

GENERAL MANAGER
NORTH WEST OPERATING UNIT

Eskom

Hon Prof Job Mokgoro
North West Premier
Private Bag X65
Mmabatho
2735

Date
03 December 2019

Enquiries
Sebata Zondo
Tel +27 11 800 8654

Dear Premier Prof Mokgoro

NOTIFICATION TO CONTINUE WITH IMPLEMENTION OF THE PROMOTION OF ADMINISTRATIVE JUSTICE ACT, NO 3 OF 2000, IN NALEDI LOCAL MUNICIPALITY

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Eskom Holdings SOC Ltd Reg No 2002/015527/30

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All Eskom's rights are reserved

Yours sincerely

Mr Azwimbavhi Mamanyuha

GENERAL MANAGER
NORTH WEST OPERATING UNIT

"ESK 10"

Eskom

MEDIA STATEMENT

Immediate release: 4 December 2019

Eskom to commence power supply interruption to Naledi Local Municipality for non-payment

On 20 November 2019, Eskom issued an interruption suspension notice for Naledi Local Municipality, subject to the municipality honouring the terms of the Repayment Agreement and Electricity Supply Agreement

The interruption suspension notice issued entitles Eskom to initiate the interruptions should the municipality default in terms of the Repayment Agreement and Electricity Supply Agreement

Naledi Local Municipality failed to adhere to the terms of agreement, and as a result, Eskom will commence with the scheduled power supply interruptions to the municipality on Thursday, 5 December 2019 at 06 00

The interruption, which will affect Vryburg and Stella Towns, will result in scheduled power interruptions as follows:

Week 1 (5 December to 11 December 2019)

Monday to Friday	Saturday and Sunday
06:00 – 08:00	08:30 – 11:00
17:00 – 19:30	15:00 – 17:00

Week 2 (12 December to 18 December 2019)

Monday to Friday	Saturday and Sunday
06:00 – 09:00	08:30 – 12:00
17:00 – 20:30	15:00 – 19:00

Week 3 (19 December 2019 to unspecified)

Monday to Friday	Saturday and Sunday
08:00 – 20:00	06:00 – 20:00

The power supply interruption can only be averted once an acceptance agreement to settle the outstanding debt has been reached with the municipality.

END

Media queries may be referred to Eskom's Media Desk on tel.: 011 8000 3304 / 3343 or email: mediadesk@eskom.co.za

Issued by: North West Operating Unit - Corporate Affairs

ESK - 11

MAENETJA ATTORNEYS

ATTORNEYS NOTARIES CONVEYANCERS & INSOLVENCY PRACTITIONERS

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P O BOX 11045
HATFIELD
0028
TEL: 012 327 4480

Our Ref: TIM/TJM/ESKOM/001
Your Ref: Mr L Modiboa/000430/NLM/CIV

Date: 28 JUNE 2021

To: **MODIBOA ATTORNEYS INC**

C/o Mr LJ Modiboa Per email: info@modiboaattorneys.co.za

Dear Sir

RE: **ESKOM HOLDINGS SOC LIMITED // NALEDI LOCAL MUNICIPALITY - NORTH WEST DIVISION MAHIKENG - CASE NO: 2229/2020 and 2245/2020**

1. We refer to the above matter as well as to our round table discussions during our meeting of 4 June 2021. Accordingly, we confirm the meeting resolved that the Municipality would make a reasonable repayment plan and that it will effect the payment of the current account, taking into consideration its collection rate of the revenue generated from its electricity reticulation business.

2. We confirm further that the resolution in 1 above was informed by the respective input and representations made by both parties at the meeting concerned.

3. I find it now opportune, to refer yourselves to the agenda of the meeting of 4 June 2021 in which we recorded our client's findings on the financials provided by your client as well as recording our client's proposals which we find to be fair and reasonable considering the findings on the financials.

4. In paragraph 2.1 under the heading "Findings of the financial documents received", of the proposed agenda sent to yourselves on the 3rd of June 2021, our client recorded that its officials have studied the financials provided to them by Naledi Local Municipality and they drew findings that the Municipality is able to service the Eskom bulk electricity account. This entails, as a starting point, the payment of the current account on a monthly basis in full, and the entering into a reasonable repayment plan for the arrear debt. .

5. The afore said in 4 above was the reason our client in paragraph 2.1 of the agenda under the heading "Proposals by ESKOM", recorded its finding that it will be in the interest of both state organs in the discharge of their respective mandates for the Municipality to repay the outstanding debt and for ease of reference referred to as the historic debt, over a period of 8 (Eight) years. (*Please see the balance of the contents of the agenda concerned).*

6. During the meeting of 4 June 2021, the Municipality proposed 15 (Fifteen) years to repay the historic debt without providing proper and reasonable cause for stipulated term taking into account that the reticulation business can sustain a shorter period of 8 years. In any event, a repayment plan which spans a period of between 15 and 18 years is unsustainable.

7. In light of what was mentioned in paragraph 1 above, we confirm to have received the Municipality's written submissions under your letter of 17 June 2021. Your client still persists with a repayment period of 18 years despite collecting enough monies to pay the current account in full on a monthly basis and the 8 years repayment period taking into account the equitable share received by the municipality which is meant to assist the Municipality in the subsidy of basic services to the community.

8. I find it fit and need to record our client's inability to accept the proposal of 18 (Eighteen) years for the repayment of the arrear debt which Eskom needs to collect in order to stay true to its mandate of universal electrification and to continue to support municipalities. That being so, considerations of good-faith entail that both state organs must have the common intention to sustain the good and honest relations between the parties by assisting each other to give effect to the respective mandates. .Eskom is dependent on receiving payment from the Municipality received. We must point out that Eskom is legally obliged to remain a going concern if it is fulfilling its national mandate of universal electrification, and this entails its ability to pay its coal supplies within 14 days.

9. In light of the afore going, our instruction is to undertake our client's intention to maintain its willingness to assist the Municipality in discharging its constitutional mandate to the people (and communities who reside within the area of the Municipality). We similarly expect the Municipality to meet its end of the bargain by discharging its reciprocal statutory and constitutional obligations to Eskom and its residents.

10. As we conclude, we reiterate that it is our client's finding from the financials provided to our client that the Municipality is able to service the current accounts in full and to liquidate the historic debt within 8 years taking into account the equitable share which is meant to subsidize the provision of basic services to indigent people Accordingly, our client in light of its undertaking recorded in 9 above, is willing to assist the Municipality even further by proposing an **active partnering agreement** with the Municipality and calls for an immediate discussion on the arrangements in this regard.

11. We call upon the Municipality to afford priority to payment for the basic service of electricity when it allocates its budget. On consideration of the Municipality's financial statements, it is clear that

the Municipality do not prioritise payment for electricity even though this is an important basic service.

12. In respect of the proposed arrangement in 10 above we request to be favoured with the response thereof by **no later than Friday the 2nd of July 2021.**

13. Trusting all finds you well.

Kind regard

MAENETJA ATTORNEYS

Mashapa Makgato Walter | Attorney (Mr)
LITIGATION

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ESK-12

MINISTRY
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

REPORT OF THE INTER-MINISTERIAL TASK TEAM ON THE RECOMMENDATIONS OF THE ADVISORY PANEL

21 NOVEMBER 2018

1. SUBJECT

The purpose of this Memorandum is to present the outcome of the work commissioned by the Inter-Ministerial Task Team (IMTT) on Electricity Reticulation and Distribution in relation to the Constitutional and legislative mandate on electricity reticulation and other systemic and structural matters relating to the Electricity Supply Industry (ESI).

2. PURPOSE

2.1 To request the Joint Meeting to consider:

2.1.1 The background to the IMTT and its work;

2.1.2 The problem statement in relation to the Constitutional and legislative mandate in electricity reticulation;

2.1.3 The consideration given to the matter by the President's Coordinating Council (PCC) and the recommendations thereof;

2.1.4 The report of the Advisory Panel of the IMTT;

2.1.5 The results of the deliberation on the report of the Advisory Panel by the IMTT. This section of the memorandum outlines the areas of agreement and areas of disagreement; and

2.1.6 The recommendations of the IMTT for endorsement by Cabinet.

3. SUMMARY

3.1 Subsequent to the introduction of Section 215 (1) and Section 229 (1) of the Constitution, which defines the responsibilities of municipalities in South Africa, the Municipal Demarcation Board (MDB) established municipal boundaries, with all areas in the country to be covered by a designated municipality.

3.2 Municipalities are responsible for the delivery of services as defined in the Constitution, and may appoint a service provider to render a service on their behalf, subject to compliance with a defined process and entering into a Service Delivery Agreement (SDA).

3.3 Historic practices have resulted in some situations where Eskom and municipalities provide electricity in the same municipal area of jurisdiction. Both Eskom and municipalities claim the "right" to their position although they argue from different perspectives.

3.4 Based on the principles of the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005) (the Framework Act), an Inter-Ministerial Task Team (IMTT) was established on the Constitutional issue of the authority on reticulation of electricity and other structural and systemic challenges in electricity reticulation.

3.5 The IMTT appointed an Advisory Panel on Electricity Reticulation and Distribution (Advisory Panel) to assist the IMTT in reaching a decision on the constitutional mandate in the interest of the Republic of South Africa (the Country) as a whole.

3.6 In executing its mandate, the Advisory Panel engaged intensively with relevant stakeholders to develop a report with recommendations.

3.7 Given the complexity and interdependencies with other related ESI matters; the scope of the advisory panel was further extended to include the following in addition to the constitutional mandate:

a) Eskom's billing to end customers;
b) Municipal debtors restructuring;
c) A model for efficient revenue collection;
d) Building a civic duty of payment; and
e) Electricity Distribution Industry (EDI) context including regulatory challenges.

4. STRATEGIC FOCUS OF THE MEMORANDUM

4.1 The memorandum presents the contextual information that informs the need to clarify Constitutional and legislative mandate in electricity reticulation.

4.2 The related electricity distribution practical challenges within the current system are also presented and recommendations made on possible adjustments. These include structural and systemic complications which contribute to the current situation of intergovernmental debt that is growing at astronomical levels.

4.3 This clarity and policy direction is required to ensure that the provision of electricity reticulation service is efficient and that it conforms to the principles of co-operative government and intergovernmental relations as outlined in Section 41 of the Constitution.

4.4 In this regard, the spheres of government and all organs of state within each sphere are required to provide effective, transparent, accountable and coherent government for the Republic as a whole.

5. DISCUSSION

5.1 Background to the establishment of the IMTT:

5.1.1 Since the demarcation of Local Government into wall-to-wall municipalities, the distribution and reticulation of electricity has been largely characterised by two main service providers: ESKOM and municipalities. These service providers distribute and reticulate electricity in accordance with their licenses, which are issued by NERSA.

5.1.2 There are different interpretations and perceptions of legislation that govern electricity reticulation, distribution and supply.

5.1.3 Based on the principles of the Intergovernmental Relations Framework Act, 2005 (Act No. 13 of 2005 (the Framework Act) an Inter-Ministerial Task Team (IMTT) was established on the Constitutional issue of the authority for reticulation of electricity, as well as other structural and systemic challenges in electricity reticulation.

5.1.4 The IMTT is chaired by the Minister for Cooperative Governance and Traditional Affairs (COGTA) and comprises the Minister of Finance; the Minister of Energy; the Minister of Public Enterprises; the President of SALGA and the Chairperson of the Eskom Board.

5.2 The problem statement in relation to the Constitutional and legislative mandate in electricity reticulation from the two divergent view-points of Local Government and ESKOM.

5.2.1 Local government's view as represented by SALGA is that municipalities have the executive authority in respect of and the right to administer the reticulation of electricity (Sect 156 and Schedule 4B of the Constitution). Section 160(1) (a) of the Constitution of the Republic of South Africa, 1996 (the Constitution) provides that a municipal council makes decisions concerning the exercise of its powers and the performance of all the functions of municipality.

5.2.2 Municipalities believe that this is an exclusive authority, which implies that Eskom distributes and reticulates electricity on behalf of a municipality in its licence allocated areas. This view advances that Eskom is an external service provider of a municipality as envisaged in Section 76 (b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (the Municipal Systems Act). This section states that a municipality may provide a municipal service in its area or a part of its area through an external mechanism by entering into a service delivery agreement with an organ of state. In this regard, Eskom is obliged to sign a service delivery agreement with municipalities on electricity reticulation and supply as stipulated in the Municipal Systems Act.

5.2.3 Municipalities are concerned that in the absence of a contracting and regulatory mechanism (SDAs) between Eskom and municipalities as envisaged in Section 76(b) of the Municipal Systems Act, municipalities are unable to levy surcharges in Eskom supply areas. They are unable to exercise credit control in Eskom supply areas and there is a lack of tariff parity between municipal supply areas and Eskom supply areas amongst other concerns.

5.2.4 ESKOM'S view is that "executive authority" is not defined in the Constitution and as such it does not imply an exclusive authority to municipalities on electricity distribution and reticulation. This is based on the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (the ERA) which allows NERSA to issue licences for the distribution of electricity or the trading of electricity. Section 14 of the ERA provides that the Regulator may make any licence subject to conditions relating to the format of and contents of agreements entered into by licensees.

5.2.5 Eskom therefore provides this service as a public company (regulated by company legislation) on the strength of a licence issued to it by NERSA, without reference to the Municipal Systems Act.

5.2.6 The Electricity Regulation Act, 2006, allows NERSA to issue licences for the distribution and reticulation of electricity and according to ESKOM' 'Distribution' means the conveyance of electricity through a distribution power system excluding trading, and distribute' and 'distributing' have corresponding meanings. 'Reticulation' means trading or distribution of electricity and includes services associated therewith.

5.3 The consideration given to the matter by the President's Co-coordinating Council (PCC) and the recommendations thereof:

5.3.1 As it became apparent after a number of inter-governmental interactions that the matter was complex and could not be resolved conclusively. The Inter-Ministerial Task Team meeting held on 11 May 2017 resolved that the High Court had to be approached for a declaratory order to clarify the executive authority of municipalities in relation to electricity reticulation.

5.3.2 The proposal to approach the Courts for clarity was presented to the President's Coordinating Council (PCC) on 29 August 2017, in compliance with the requirements of the IGR Framework Act.

5.3.3 The PCC did not support the recommendation to approach the Courts and resolved that the IMTT Ministers should resolve this constitutional matter as well as the related systemic and structural challenges.

5.4 The Advisory Panel of the IMTT:

5.4.1 Pursuant to the recommendation of the PCC; the IMTT took a decision that an in-depth analysis and examination was required in order to arrive at an informed decision and thus, the Minister of COGTA was assigned to establish an Advisory Panel to provide recommendations and legal clarity.

5.4.2 The Advisory Panel was appointed in February 2018 and the team commenced the work in March 2018.

5.4.3 The attached report of the Advisory Panel tagged as **ANNEXURE A** is hereby presented as supporting information.

6. SUMMARY OF THE IMTT ADVISORY PANEL RECOMMENDATIONS:

Based on the Advisory Panel, submissions were made, legal opinions received, analysed and deliberated; recommendations were made by the Advisory Panel. The recommendations can be categorised into policy or systemic change proposals as well as those that emphasise implementation and enforcement of matters already covered within the current legislation and system.

6.1 A full list of the Panel's recommendations as extracted from the report are as follows:

1. A municipality has executive authority in respect of and has the right to administer electricity and gas reticulation;
2. The powers, functions and competencies to reticulate electricity within municipal area/boundaries fall exclusively, and in terms of the Constitution, on municipalities;
3. Eskom must conclude the Service Delivery Agreement if it were to reticulate within the municipal areas or boundaries. It is an unconstitutional encroachment of the local government's powers should any person supply, distribute and generate electricity in these areas/boundaries without a conclusion of a valid Service Delivery Agreement;
4. Definition: "Reticulation is included in the distribution, supply and trading of electricity, including distributed generation or generation embedded in the distribution/reticulation network";
5. Dispute resolution: The provisions of the Framework Act with regard to dispute resolution among different spheres of government (executive authority) must be invoked, including ensuring regulatory compliance of organs of State. This will require a system that monitor compliance;
6. A comprehensive review of various billing related protocols, policies and contracts within the municipality ambit, to verify relevance, completeness, accuracy and consistent application - resulting in reengineering of the billing value chain;

7. Implement a tariff allocation with the sole focus of creating a ring-fenced source of funds to assist with municipality metering and distribution infrastructure enhancements (Billing);
8. Access to Software Suites/platforms enabling the automation of billing value chain which interface with accounting systems;
9. Municipal Government, Provincial Government and COGTA to partner with the Energy Sector Education and Training Authority in developing accredited trained individuals on various specialized bill assessment modules (as indicated in report). Targeted context based Competency framework for billing, revenue and cash flow management;
10. Validate declared Eskom bulk bill debt, focusing on the top 20 Eskom-owing municipalities in the country to create a baseline. Verified assessment of municipal debt per bill component;
11. A detailed cost of supply study is imperative in addressing the regulated expected sustainability guidelines associated with electricity service provision;
12. Policy decision to establish a collection agency for municipal debt and revenue;
13. Consolidation and ring-fencing of the Municipal Sector Debtors Book older than 90 days;
14. Appoint an independent task team to verify both the Eskom and the municipal debtors book, and conduct a comprehensive review of various billing related protocols, policies and contracts within the municipality ambit as well stratify the debt to inform the debtors management turnaround strategy;
15. Review and standardisation of write-off policies and credit control policies for the sector;
16. Review the fiscal instruments and the funding model for municipalities;
17. Ensure that financially sustainable and resilient wall-to-wall municipalities are established;
18. Annualised evaluation of the collateral effect of political governance, social dimensions, economic and fiscal impact assessment of municipalities and consequences of new boundaries Pre-paid Model for services to be implemented to curb further growth in the debtors' book;
19. Review the interest rate charged by Eskom to municipalities on overdue accounts by way of complying with Section 80 of the PFMA;
20. Ensure that all Debt Repayment Agreements are aligned with credible budgets, validated by council resolution;
21. Introduce load limitation for non-paying municipalities in lieu of disconnections;
22. Writing-off unaccounted for revenue and debtors of R3.3 billion as 31 March 2018;
23. Eskom indicated that they have not recognised revenue and debtors amounting to R3.3 billion for the current year with a cumulative balance as at year-end of R8.5 billion in the financial statements due to collectability. Although these amounts were billed to the customers, they were not included in the financial statements that were presented. Write-off using these amounts would have minimal impact on the reported results.
24. Moratorium on Legal Proceedings between Eskom and municipalities;
25. Moratorium on interest until principal amount is settled;
26. The establishment of user-friendly one-stop shops which can advise residents and deal with single accounts for all municipal services can increase the quality and efficiency of local services;
27. Electronic Account Management to allow users to manage accounts electronically through cellular phones, computers, and other devices;

28. Development of Practice Notes and Guidelines on revenue collection and value chain management;
29. Internal controls must be in place to ensure that all revenue is collected, and cash leakages are eliminated;
30. Automated cash handling systems;
31. Utilise automated accountancy mechanisms for the handling of cash to limit fraud, leakages and human error;
32. Installation of Advanced Metering Infrastructure (AMI) to facilitate improved utility management;
33. Use SMART meters to limit meter tampering and reduce unaccounted for losses;
34. Introduce meter management tools, including regular inspection of SMART meters, and upscale training and skills;
35. Municipal and National Register of defaulters;
36. Utilise credit control and debt collection policy to proactively identify defaulters;
37. Automated internal and external revenue management systems to:
    a) Establish accurate databases with household profiles that are aligned with the Land Information System;
    b) Provide accurate billing and invoicing;
    c) Synchronise a data management system of customer and service provision and payment history; and
    d) Promote proactive deed verification functions that can track inaccuracies and important changes.
38. National Guidelines and Benchmarking for technical and non-technical losses;
39. Develop revenue management policies, including policy on accepting cheques for payment and handling of unallocated funds in suspense accounts and developing a blue print that outlines processes and systems e.g. metering management to be deployed to ensure maximization of revenue collection efforts;
40. Governance and Accountability Index;
41. Continue intergovernmental efforts towards improving municipal budget credibility through national benchmarking, submission of reports to Parliament, provincial legislatures, and the public. This may incentivise effective financial management in local government;
42. Negotiate amicable payment agreements with customers;
43. Formalise housing for the collection of revenue;
44. Partner with educational institutions for development and training to fill the municipal skills gaps;
45. Municipalities must still develop their unique strategies to deal effectively with low payment civic duty within broader strategy that will encompass communication and debt-collection;
46. Consistent enforcement and collection complemented by decisive political leadership and effective communication and campaigns;
47. Leveraging current technologies to partner with the private sector;
48. Create a database of best practices and communicate best practices for civic duty of payment;
49. The critical success factors identified in these cases include focusing on smaller areas, monitoring and evaluating interventions, never relenting on enforcement and punitive measures, building civic duty, and developing trust and communication;
50. Improving the civic duty of payment is ultimately about behavioural change and inculcating values that talk to a sense of responsibility and fairness;
51. Municipal specific Change Management Strategy;

52. A change in management strategy with a new vision anchored on pillars and values that epitomizes the new patriotism; and
53. Register of Defaulters: Municipal debt Defaulters to be barred from trading with any sphere of government, employ the practice of "naming and shaming' and implement.

7. CONSIDERATION OF THE REPORT AND RECOMMENDATIONS OF THE PANEL BY THE IMTT:

At the IMTT level, the report was received positively. All the entities were given an opportunity to reflect and comment on the report. The IMTT went on to summarise the panel outcomes and pull out seven (7) key recommendations to be considered by Cabinet considering that some recommendations would be embedded in the implementation process and therefore do not require specific decisions at his stage. The IMTT reached consensus on five (5) of these areas and there was a disagreement on two (2) areas as follows:

7.1 AREAS OF AGREEMENT:

7.1.1 The IMTT supported the installation of the prepaid meters. The IMTT will finalise the details on how to rollout the installation of the prepaid meters, the funding manner, the mechanism for roll-out, as well as measures that should be put in place to ensure improved revenue collection, etc.

7.1.2 The IMTT supported the appointment of independent revenue collectors for municipalities. These independent collectors will be evaluated, vetted and their contractual terms managed in order to maximize collection while minimizing the cost burden and the risks to municipalities and consumers.

7.1.3 The IMTT supported that government should introduce a campaign to encourage a culture of payment for municipal services so that municipalities are able to pay their debts.

7.1.4 The IMTT supported the strict management of payment defaulters with firm actions by government before the court process even comes to effect. These will be deliberate instruments for consequence management at a municipal level as a matter of process.

7.1.5 The IMTT also supported the fixing of municipalities to ensure sustainability of services, good governance and sound financial management practices. This will be implemented in collaboration between CoGTA's and Treasuries in line with the current Back to Basics Programme support model where a distinction is made between the municipalities that require intervention and those that require support.

7.1.6 The IMTT supports the recommendation of the Panel that Municipalities have exclusive executive authority over electricity reticulation and distribution since this recommendation is based on the Constitution.

The Technical Committee should then develop a framework in which municipalities and Eskom should operate. The Technical Committee should consider the impact on both Eskom and municipalities. The future of Eskom should also be considered as well as the capacity of municipalities. The Technical Committee should also identify provisions of the pieces of legislation that should be amended. The framework should consider all these elements. This Framework work should inform the development of the Service Delivery Agreement; and a Multi-Disciplinary Team should come up with a plan to implement this resolution.

7.1.7 The IMTT supports the restructuring of debts and agreed that a model that is linked to incentives to municipalities that service their Eskom and Water Boards accounts should be developed by the Technical Committee. The National Treasury and DCOG should assist in developing this model. This model will also include measures that enhance revenue collection. The Technical Committee should also come up with principles for restructuring of debts; and that a Multi-Disciplinary Team should come up with a plan to implement this restructuring of debts.

8. IMPLEMENTATION PLAN:

8.1 The IMTT has already begun preparatory work on the development of implementation plans through specific technical work-streams on each of the areas of agreement. After Cabinet has considered the report and endorsed the recommendations of the IMTT, the IMTT will oversee the conclusion of the implementation plans, consider and approve them. It will then proceed to oversee implementation to give effect to the recommendations.

8.2 All the government departments and entities represented in the IMTT have pledged their support to the process and to finding mutually beneficial solutions that are in the interest of the country.

9. ORGANISATIONAL AND PERSONNEL IMPLICATIONS:

9.1 Each of the recommendations will have implications on both Eskom, municipalities and ultimately government as a whole. These will be unpacked in detail on the implementation plans and will be considered by the IMTT as they are approved and implemented.

10. FINANCIAL IMPLICATIONS:

10.1 Naturally, each of the recommendations will also have financial implications to either Eskom, municipalities or / and government. These will be unpacked in detail on the implementation plans and will be considered by the IMTT as they are approved for implementation. These will also be subject to the prescribed processes relating to the budget processes of each affected institution or sphere of government.

11. COMMUNICATION IMPLICATIONS

11.1 The report of the Panel as well as the recommendations will be communicated to all relevant stakeholders. An awareness programme will also be introduced for citizens through the municipal public participation platforms.

12. CONSTITUTIONAL IMPLICATIONS:

12.1 At the crux of this memorandum is the need to clarify the Constitutional and legislative mandate in electricity reticulation. The lack of clarity was as a result of the introduction of wall-to-wall municipalities which created a complex situation for municipalities in that areas within the municipal boundary are served by different service providers, with different service standards, different tariff structures for customers and revenues going to different institutions (Eskom or the municipality).

12.2 The recommendations of the IMTT's Advisory Panel do not propose any changes to the Constitution but provide clarity in the interpretation.

13. IMPLICATIONS FOR VULNERABLE GROUPS:

13.1 The major social impact of this matter is the current lack of tariff parity that is brought about by the different service providers namely, the municipality and Eskom within a municipal area. This has created tensions and inequity. The impact of the municipal powers being confirmed will therefore allow a municipality to standardise services and tariffs.

13.2 In addition; the results of the accumulating inter-governmental debt are impacting negatively on the paying customers when Eskom implements their credit control policy in the form of electricity disruptions which affect all consumers within a municipality.

14. SECURITY IMPLICATIONS:

None.

15. DEPARTMENTS AND PARTIES CONSULTED, RESPONSE AND COMMENTS:

15.1 The IMTT both politically and technically has representation from the following parties: Departments of Cooperative Governance; Energy; Public Enterprises; Water and Sanitation; National Treasury; Eskom; and SALGA.

15.2 These parties were consulted through the IMTT meetings where the Advisory Panel presented regular progress reports as well as this final report. In addition, the IMTT Advisory Panel engaged the following stakeholders in the execution of their work:

(a) National Energy Regulator of South Africa (NERSA);
(b) South African National Energy Development Institute (SANEDI);
(c) Financial and Fiscal Commission (FFC);
(d) Municipal Demarcation Board (MDB); and
(e) Selected municipalities

16. RECOMMENDATIONS:

It is recommended that the Joint Meeting:

16.1 Notes the attached report of the Advisory Panel of the IMTT on Electricity Reticulation and Distribution in relation to the Constitutional and legislative mandate on electricity reticulation.

16.2 Considers and endorses the following recommendations that have been agreed to by the IMTT:

16.2.1 The installation of the prepaid meters. The IMTT will finalise the details on how to rollout the installation of the prepaid meters, who will fund the installation, the mechanisms for roll-out, as well as measures that should be put in place to ensure improved revenue collection, etc.

16.2.2 The appointment of independent revenue collectors for municipalities. These independent collectors will be evaluated, vetted and their contractual terms managed in order to maximize collection while minimizing the cost burden and the risks to municipalities.

16.2.3 A government wide campaign should be introduced to encourage a culture of payment for municipal services so that municipalities are able to pay their debts.

16.2.4 There should be a strict management of payment defaulters with firm actions by government even before the court process comes to effect.

16.2.5 The fixing of municipalities to ensure sustainability of services and finances.

16.2.6 A municipality has executive authority in respect of and has the right to administer electricity and gas reticulation. The powers, functions and competencies to reticulate electricity within municipal area/boundaries fall exclusively, and in terms of the Constitution, on municipalities.

16.2.7 Eskom must conclude the Service Delivery Agreement if it were to reticulate electricity within the municipal areas or boundaries. The Technical Committee should develop a framework in which municipalities and Eskom should operate. In doing this, it should consider the impact on both Eskom and municipalities. The future of Eskom should also be considered as well as the capacity of municipalities. The Technical Committee should also identify provisions of the pieces of legislation that should be amended. The framework should consider all these elements. This Framework should inform the development of the Service Delivery Agreement;

16.2.8 The restructuring of debts utilising a model that is linked to incentives to municipalities that service their Eskom and Water Boards accounts should be developed by the Technical Committee. The National Treasury and DCOG should assist in developing this model. This model will also include measures that enhance revenue collection.

16.2.9 The Multi-Disciplinary Team should come up with a plan to implement the resolutions on 16.2.1 to 16.2.8 above. The IMTT will oversee the conclusion of the implementation plans, consider and approve them. It will then proceed to oversee implementation to give effect to the recommendations.

ESK-13

MINISTRY
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

Private Bag x802, PRETORIA, 0001 Tel: (+27 12) 334 0705 Fax: (+27 12) 326 4478
Private Bag x9123, CAPE TOWN, 8000 Tel: (+27 21) 469 6700 Fax: (+27 21) 461 0851

Ref.: 08/2018

Mr Jabu Mabuza
Chairperson: Eskom Board
PO Box 1091
JOHANNESBURG
2001

Dear Colleague

DELIBERATIONS AND RESOLUTIONS OF THE MEETING OF THE INTER-MINISTERIAL TASK TEAM ON ELECTRICITY RETICULATION, DISTRIBUTION AND MONIES OWED TO WATER TRADING ENTITY AND WATER BOARDS HELD ON 02 NOVEMBER 2018

Once again, I would like to take this opportunity to thank you for your leadership and valuable contributions your Ministry is making in addressing challenges relating to electricity reticulation and distribution including monies owed by municipalities to Eskom, Water Trading Entity and Water Boards.

The meeting of the Inter-Ministerial Task Team (IMTT) of 02 November 2018 was able to proceed although the attendance was not good. This meeting considered the report of the Advisory Panel of the IMTT and comments made by the National Treasury, Department of Public Enterprises, Eskom and SALGA on the report of the Advisory Panel.

Generally, there is agreement on some of the key recommendations of the Advisory Panel. The IMTT supported the recommendations on the roll-out of installation of prepaid meters for electricity supply, the appointment of independent revenue collectors for municipalities, and the introduction of a campaign to encourage a culture of payment to improve municipal revenue collection.

The Multi-Disciplinary Task Team comprising of the Department of Cooperative Governance, National Treasury and SALGA was tasked to come up with a plan and possible mechanisms and funding for implementation of these initiatives. The Task Team will come up with proposed measures to manage defaulting municipalities that are not paying their Eskom and Water Boards accounts. It will propose ways to enhance systems of municipalities to improve revenue collection. These proposals should be finalised within a week.

The meeting also discussed the areas of disagreement on the Advisory Panel's report. Eskom in its submission re-affirmed its view that municipalities do not have exclusive executive authority over electricity reticulation and distribution functions. Eskom also does not support the recommendations on the restructuring of municipal debts as this will have adverse impact on the financial position of Eskom. The IMTT resolved that these issues should be addressed within government and avoid having to approach the court. Accordingly, the meeting resolved that a Task Team comprising of Directors-General and Chief Executive Officers of the Technical Committee of the IMTT should discuss these areas of disagreement and come up with proposals / options to be presented to the IMTT Ministers within a week.

I am kindly requesting you to inform the Group Chief Executive of Eskom about these deliberations and resolutions of the meeting of 02 November 2018. The Director-General of the Department of Cooperative Governance will urgently convene this Task Team of the Directors-General and Chief Executive Officers to action the resolutions of the IMTT.

Kind regards,

DR ZWELINI L MKHIZE, MP
MINISTER
DATE: 02/11/2018

Cc: Mr P Hadebe, Group Chief Executive

Progress Report on Resolving Municipal Debt to Eskom

Item B2

ESKOM TECHNICAL TASK TEAM MEETING

28 July 2021

Joint presentation by
NT, CoGTA, DPE, DHSWS, DPWI, SALGA, Eskom

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

water & sanitation
Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

cooperative governance & traditional affairs
Department:
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA

public works & infrastructure
Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SALGA
Inspiring service delivery

Eskom

PROGRESS WITH ESKOM PAYMENTS

MUNICIPAL DEBT OVERVIEW

AS AT 30 APRIL 2021

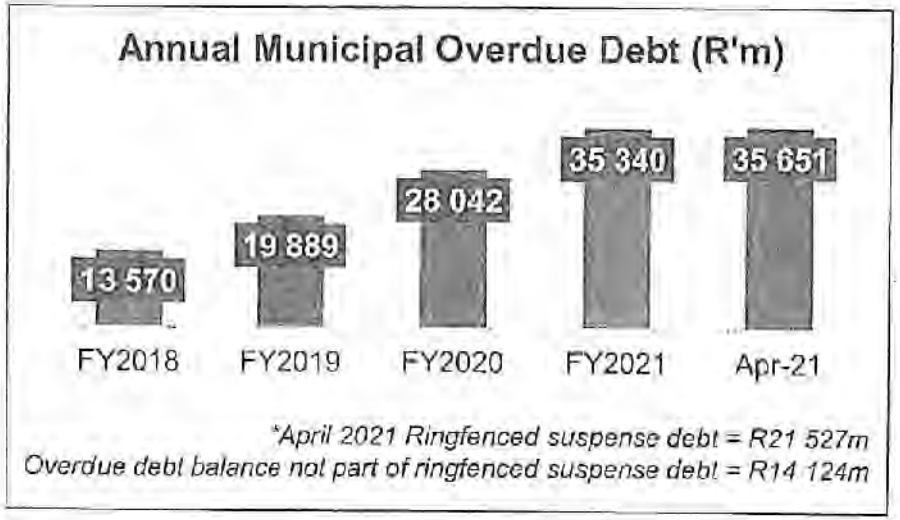
- Payment level for Municipalities as at 30 April 2021 was 93.9% amounting to R101bn in collections of the R107bn billed.

- The top 20 Defaulting Municipalities payment level (excluding Metros):
  - 35% for the month of April 2021
  - 54% for April 2021 (12MMA) compared to 53% for March 2021 (12MMA)

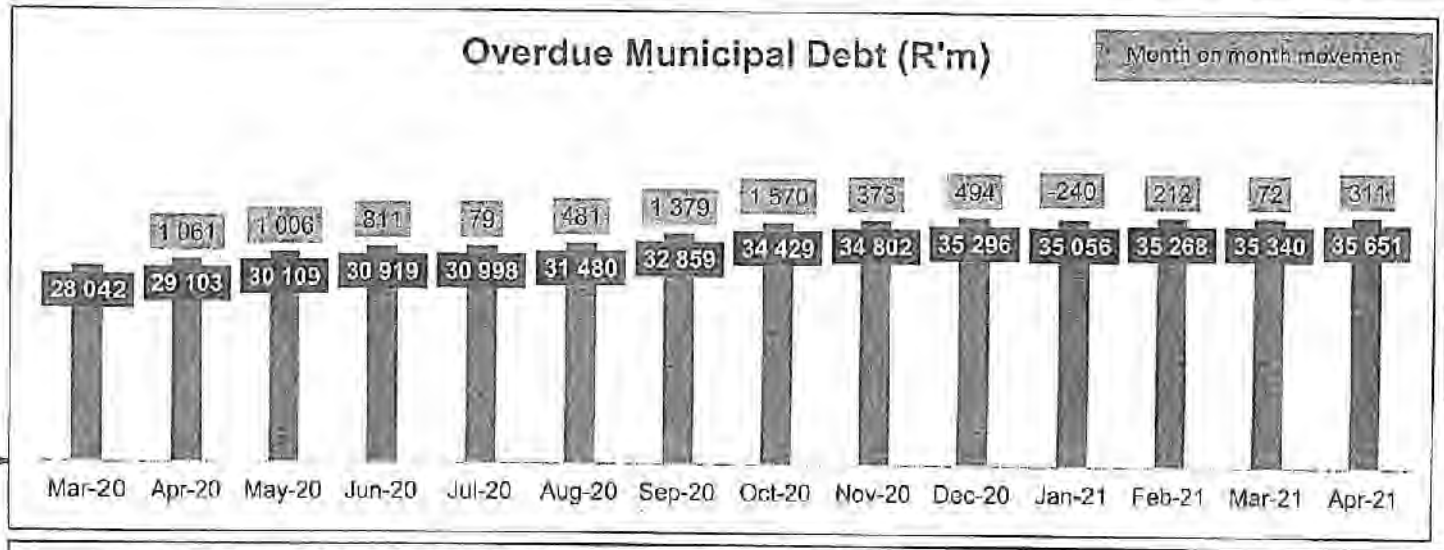
- Municipal arrear debt as at 30 April 2021 was R35.7

- The debt increased by R311 million during the month of April as opposed to the average monthly growth of R516 million during the FY21 financial year and R1.1bn during April 2020.

OVERDUE MUNICIPALITY DEBT - R'M



MFMA view per OU	Apr-21 R'm	Apr-21 % of total	Mar-21 R'm	YTD movement R'm	Month movement R'm	Ringfenced suspense debt R'm
FS	13 477	38%	13 565	-88	-88	9 522
MP	10 526	30%	10 289	236	236	6 625
GP	4 167	12%	4 051	116	116	1 476
NW	2 356	7%	2 314	43	43	1 299
NC	2 035	6%	2 084	-49	-49	1 400
EC	1 556	4%	1 515	41	41	786
LP	945	3%	895	50	50	13
KZN	489	1%	531	-42	-42	394
WC	100	0.3%	96	4	4	12
Total	35 651	100%	35 340	311	311	21 527



Movement in Munic Overdue Debt R'm

Overdue debt Mar-21	[illegible]	[illegible]	Overdue debt Apr-21
35 340	110	201	35 651

- Increased during the month by R311m to R35.7bn end of April 2021. YTD increase is R311m.
- Many munics in legal dispute with Eskom - Eskom is promoting and pursuing the Active partnership model to ensure that we create a sustainable Distribution industry and securing the current accounts.

Top 20 defaulting Munics (excl. Metros)
- Monthly payment level % & overdue debt per munic

Ranking	Municipality	Province	Monthly Payment Level (%)													Overdue Debt Apr-21 R'm
			Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Mar-21 YTD	Apr-21	
1	Maluti A Phofung	FS	5%	9%	17%	88%	12%	11%	20%	35%	15%	14%	27%	52%	25%	21%	5 855
2	Emalahleni (MP)	MP	13%	19%	9%	57%	18%	24%	18%	34%	48%	38%	28%	71%	31%	32%	4 822
3	Matjhabeng	FS	0%	1%	6%	36%	1%	1%	1%	6%	63%	5%	1%	45%	13%	3%	3 718
4	Emfuleni	GP	104%	81%	63%	44%	94%	28%	37%	35%	21%	166%	94%	117%	70%	23%	2 853
5	Govan Mbeki	MP	1%	25%	85%	13%	17%	104%	47%	18%	80%	17%	38%	63%	43%	71%	2 324
6	Ngwathe	FS	44%	35%	11%	69%	40%	45%	5%	204%	5%	182%	93%	95%	65%	94%	1 321
7	Lekwa	MP	37%	38%	42%	162%	21%	24%	31%	50%	103%	57%	64%	69%	54%	49%	1 309
8	Thaba Chweu	MP	0%	13%	21%	90%	19%	28%	4%	19%	178%	31%	38%	135%	47%	11%	851
9	Ditsobotla	NW	29%	29%	58%	38%	24%	27%	8%	49%	38%	41%	40%	137%	40%	38%	684
10	Mod/Mookgophong	LP	43%	54%	66%	82%	36%	36%	67%	61%	55%	2224%	53%	146%	68%	92%	620
11	City of Matlosana	NW	35%	41%	48%	102%	40%	117%	34%	36%	257%	28%	30%	124%	76%	28%	620
12	Merafong City	GP	36%	30%	18%	94%	25%	17%	65%	91%	121%	168%	42%	111%	62%	50%	556
13	Rand West City	GP	24%	31%	65%	131%	32%	48%	69%	78%	138%	8%	122%	218%	78%	9%	510
14	Enoch Mgijima	EC	0%	0%	0%	14%	0%	54%	42%	0%	128%	1%	1%	140%	32%	0%	506
15	Dihlabeng	FS	7%	10%	21%	139%	11%	11%	13%	7%	15%	170%	11%	12%	33%	175%	491
16	Naledi	NW	14%	0%	101%	98%	0%	28%	24%	19%	43%	16%	18%	18%	32%	33%	435
17	Moghaka	FS	2%	2%	2%	257%	2%	24%	1%	79%	119%	100%	100%	161%	66%	2%	434
18	Nala	FS	0%	5%	39%	3%	37%	44%	34%	5%	111%	5%	2%	34%	26%	27%	428
19	City of Mbombela	MP	2%	41%	78%	161%	37%	44%	73%	36%	237%	61%	32%	196%	83%	62%	420
20	Nketoana	FS	0%	0%	0%	61%	0%	10%	5%	2%	16%	0%	8%	0%	10%	5%	401
Top 20 munics (excl. metros)			31%	32%	42%	86%	37%	39%	34%	40%	69%	70%	51%	106%	53%	35%	129 158

* Top 20 info above is based on Apr-21 Top 20 overdue munics.

- Maluti paid R80m in July 2020; since then, payments remain low. YTD payment level only 21%. Only paid R13m of the March 2021 bill of R62m.
- Emalahleni paid R105m in July 2020 and R74m in March 2021; but rest of the months the payments were much lower. Apr-21 YTD payment level of 32%.
- Matjhabeng only paid R2m of the March 2021 bill of R50m. Some months almost nothing is paid towards their bill. Apr-21 YTD payment level of 3%.
- Emfuleni paid poorly during September - December & then recovered a bit in the next 3 months. Only paid R47m of the March bill of R203m.
- Govan Mbeki's YTD payment level is at 71% - YTD payments amount to R42m against a R58m bill.
- Overall, the Top 20 defaulters paid R307m April this FY; compared to R291m last financial year - an increase of 5%.
- The top 20 payment level has increased from 31% (April 2020 YTD) to 35% (April 2021 YTD).

CAMPAIGN OUTREACH PROGRAMME

CAMPAIGN OBJECTIVES AND THEMES

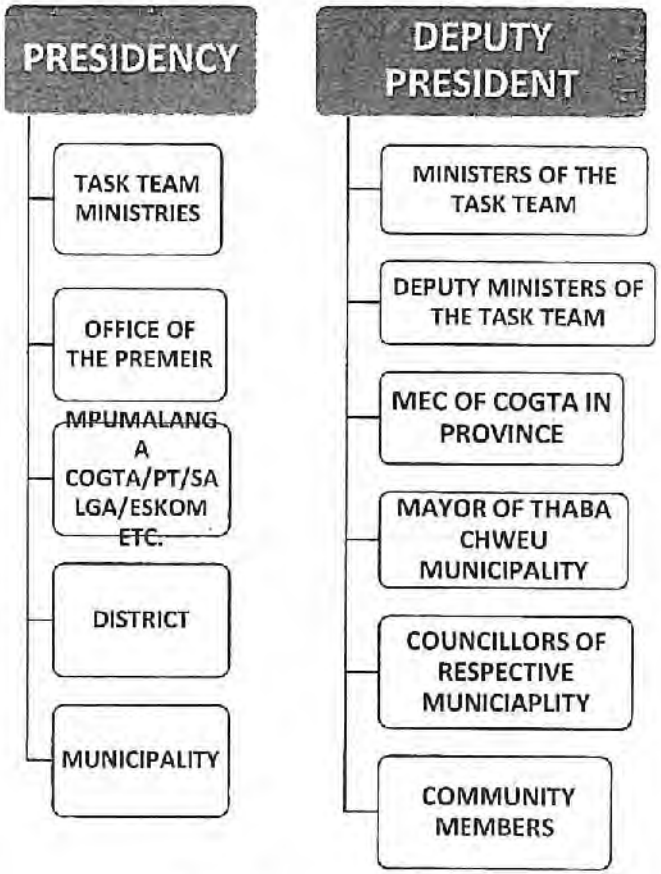
OBJECTIVES

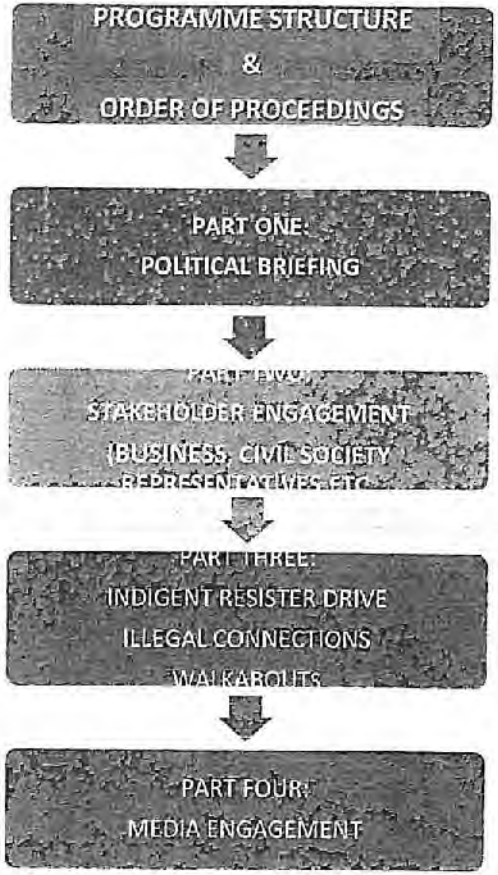
- Raise awareness about the Responsible Citizenry Campaign.
- To educate citizens about the benefits of paying for municipal services.
- To highlight the negative impact of non-payment.
- To engage key stakeholders including business, local government and community representatives.
- Raise awareness about registering on the indigent register to access Free Basic Services meant for poor households.
- To address municipal non-payment versus consumer non-payment.

THEMES AND MESSAGES

- Let's grow South Africa together
- Local government is everybody's business.
- Together transforming municipal spaces for inclusive socio-economic growth and development - District by District.
- #PayingIsCaring
- I am Responsible, I pay for my municipal services.

STAKEHOLDERS/MESSENGERS AND PROGRAMME





Appeal to PTT members to indicate their availability for the outreach for July 2021

PROGRESS ON THE IMPLEMENTATION OF THE CAMPAIGN OUTREACH PROGRAMME

- Of the top twenty defaulting municipalities identified for support on campaign outreach, engagements have started with the first three municipalities on the list:

  - Thaba Chweu LM MP - Initially proposed dates June – July 2021

  (Due to COVID -19 restrictions it is proposed that the outreach be scheduled for **27 August 2021** confirmation of date by the PTT).

  - Naledi LM NW - September 2021

  - Modimolle Mokgophong LM LP - October 2021

PROGRESS ON THE IMPLEMENTATION OF THE CAMPAIGN OUTREACH PROGRAMME

- The IGR letter signed by the Minister of COGTA introducing the campaign outreach, has been shared with the first 3 municipalities and engagements with all the municipalities will be conducted between June and August to discuss the logistics and details of the programme.

- **Thaba Chweu Local Municipality (TCLM) Progress**

  - Council resolution has been obtained to support the programme from TCLM.
  - Biweekly meetings with municipal officials and relevant stakeholders. Created a WhatsApp group.
  - TCLM developed and shared communication and logistic plans.
  - Communication Plan – Comprises of communication approach, programme, key messages, media plan, social media plan, branding plan, photography and video etc.
  - Logistic plan, 2 venues identified.
  - Invitations to be extended to the Premier, District municipality, Provincial Treasury, Eskom and relevant stakeholders in Mpumalanga.

CHALLENGES AND RECOMMENDATIONS FOR THE OUTREACH PROGRAMME

CHALLENGES

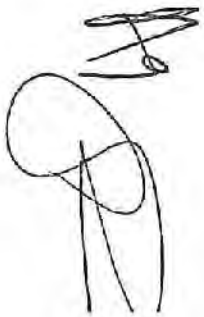
- Stakeholder engagement programme is affected by the COVID-19 alert levels.
- The walkabouts programmes are also affected by the COVID-19 alert levels.

RECOMMENDATIONS

- Community Radio Driven Campaign targeting the Top 20 identified municipalities; (an interactive medium which has a wide reach and it uses local language)

  - The community Radio campaign to be championed by the Municipal Mayors
  - The community Radio campaign will include radio interviews and Radio adverts,

- Budget allocation for the Radio Campaign consideration (R5 Million).



COS STUDIES

- The project is a recommendation of the IMTT on Electricity Distribution & Electricity Reticulation
- The project is jointly funded by COGTA and NT
- Top 10 Municipalities that owe WTE and Waterboards
- Top 21 owing municipalities that owe Eskom
- The Water COS project is at the bid process stage and the bid evaluation committee set on the 11 June 2021.
- The Electricity COS tender bids are anticipated to be presented to the BEC on the 17/18 June 2021
- Project Steering Committee will consist of officials from COGTA, NT, SALGA, MISA, DMRE, DWS, Eskom and AMEU.

WHEELING ARRANGEMENTS

PTT FEEDBACK ON WHEELING

- **Main issues/Problems**
  - The disputes over the charges, as well as the billing on energy wheeling, between Municipalities and Eskom
  - Some municipalities that owe Eskom, are unable to get Eskom to pay what is due to them on charges accumulated by the use of their distribution systems to transport energy
  - These discussions always get to a stalemate and remain unresolved
- **Feedback on Progress**
  - SALGA has done initial information gathering exercise on municipalities affected by Wheeling disputes with Eskom
  - The preliminary results were presented to the TTT in March 2021, the resolution was to further investigate and share more details on the findings.
  - SALGA and Eskom subsequently met where the municipal wheeling issues were presented by SALGA.
  - Eskom raised confidentiality risk on sharing information on wheeling contracts, as these are confidential documents (supplier to customer contracts).
  - To avoid the confidentiality risks, letters to all municipalities who have wheeling contracts with Eskom were sent for their consent to share their contractual information, the deadline was 10 June 2021.
  - Feedback meetings are planned between SALGA and Eskom, to engage with all the wheeling contracts with Municipalities who have consented, including the disputes thereof.

PROGRESS WITH ORGANS OF STATE DEBT

PROGRESS ON THE PAYMENT OF DEBT TO MUNICIPALITIES BY PPWI

DEBT OWED TO MUNICIPALITIES BY ORGANS OF STATE (2021/22 FINANCIAL YEAR)											
					BREAK-DOWN OF DEBT BALANCE						
Province	Opening Debt balances as at 01 April 2021	Billing for 2021/22 (From 01 April 2021 to 30 June 2021)	Payments made from 01 April 2021 to 30 June 2021	Balance Amount (Debt) After Payment	Payment in Progress	Amount to be paid but awaiting documentation from municipalities	Confirmed amount unpaid due to budget constraints	Unpaid portion of the balance due to Ownership challenges	Unpaid portion of the balance related to interest accrued	Amount still under investigation	Total amount unpaid (Allocation, Ownership, Interest and Under Investigation)
EC	206,211,460	17,542,342	17,542,342	206,211,460	22,249,392	19,154,354	-	77,491,919	43,621,468	43,694,326	164,807,712
FS	977,379,769	258,895,726	246,642,484	989,633,011	-	-	989,633,011	-	-	-	989,633,011
GP	99,545,628	-	7,912,158	91,633,470	-	-	-	-	-	92,151,350	92,151,350
KZN	79,000,000	999,087,271	11,561,704	1,066,525,568	67,438,296	696,308,000	387,000,000	-	-	-	387,000,000
LP	704,254,567	80,000,000	28,785,209	755,469,358	-	17,707,980	287,778,226	449,983,152	-	-	737,761,378
MP	292,087,380	69,950,218	58,489,216	303,548,382	11,461,002	-	292,087,380	-	-	-	292,087,380
NC	673,823,444	137,800,000	904,261	810,719,183	4,902,724	86,853,000	286,946,987	369,708,365	17,168,092	-	673,823,444
NW	10,004,048	383,573,204	1,138,500	392,438,752	2,064,322	6,801,226	-	62,910,509	-	-	62,910,509
WC	105,369,620	141,209,550	24,829,089	11,010,842	-	-	-	-	1,357,313	-	1,357,313
GRAND TOTAL	2,936,936,676	2,088,058,312	397,804,962	4,627,190,025	108,115,737	826,824,560	2,243,445,604	960,093,945	62,146,873	135,845,676	3,401,532,097

PROGRESS ON THE PAYMENT OF DEBT TO MUNICIPALITIES BY NDPWI

DEBT OWED TO MUNICIPALITIES BY ORGANS OF STATE (2021/22 FINANCIAL YEAR)									
Province	Departmental Closing Balances as at 31 March 2021 or Opening balances as at 01 April 2021	Billing for 2021/22	Payments made from 01 April 2021 to date	Balance Amount (Debt) After Payment	Confirmed amount unpaid due to budget constraints	Unpaid portion of the balance due to Ownership challenges	Unpaid portion of the balance related to Interest accrued	Amount still under investigation	Total amount unpaid (Allocation, Ownership, Interest and Under Investigation)
EC	115,687,772	186,910,086	178,340,876	124,256,982	-	15,076,880	1,043,241	-	16,120,121
FS	107,875,223	89,009,388	88,728,111	108,156,500	-	-	40,669	-	40,669
GP	327,154,471	814,011,973	770,622,078	370,544,365	-	3,461,880	-	-	3,461,880
KZN	133,591,074	273,882,813	257,216,810	150,257,077	-	41,832,275	1,507,379	-	43,339,654
LP	66,765,515	41,086,292	41,070,028	66,781,779	-	19,390,875	2,450,986	-	21,841,861
MP	16,768,667	84,755,844	83,254,394	18,270,118	-	-	1,586	-	1,586
NC	116,835	113,570,099	66,699,302	46,987,631	-	743,556	-	-	743,556
NW	86,678,519	51,232,611	34,894,459	103,016,671	-	-	604,806	-	604,806
WC	133,077,412	241,969,419	241,517,386	133,529,445	-	-	664,271	-	664,271
GRAND TOTAL	**987,715,487**	**1,896,428,525**	**1,762,343,444**	**1,121,800,567**	-	**80,505,466**	**6,312,938**	-	**86,818,404**

ACTION PLAN FOR PHASE ONE OF THE DEBT BY ORGANS OF STATE

DISCRIPTION	ACTION	RESPONSIBILITY	TIMELINE	PROGRESS / COMMENT
BUDGET CONSTRAINTS	NT to have a meeting with the Free State province (Provincial Public Works to unpack their allocation constraints and provide a way forward)	NT and FS Public Works	21-25 June 2021	The 1st meeting took place on the 19th of July 2021. There will be a follow-up meeting as agreed, No resolution yet.
OWNERSHIP	1. **Limpopo Pilot project** - DPWI to kick-off the project to survey state properties in order to properly record them on Deeds and IAR and for municipalities to bill appropriately futuristically)	DPWI	1-Jul-21	The evaluation of the project is in progress.
	2. **State Domestic Facilities (SDFs)** – *DPWI Sector agreed on a standard approach (SDF framework) to address property ownership challenges and unpaid property rates on State properties. Each province to customize the framework in terms of their particular provincial circumstances.*	DPWI Sector	31-Jul-21	DPWI still developing a circular to address payments of SDFs. The WCG DTPW has been paying and continues to pay property rates in respect of SDFs and R293 properties when billed, as per the Technical MinMec directive. Other provinces with debt on SDFs have not indicated progress yet.
	3. **R293 properties** – *DPWI Sector agreed on a standard approach (SDF framework) to address property ownership challenges and unpaid property rates on State properties on municipal land.*	DPWI Sector	14-May-21	An R293 Circular has been issued by the DPWI and already being implemented. Other provinces with debt on the R293 properties have not indicated the progress yet.
	4. **Deemed Properties (including RSA properties)** – *DPWI Sector to agree on a standard approach to address unpaid property rates on State properties not accounted for by any custodian departments.*	DPWI Sector	31-Jul-21	DPWI still continuing with the verification of properties as and when Municipalities submit their Property Rates schedules. Other provinces to finalize the verification process of RSA properties
	5. **Interim measure** – *signing agreements (MoA or Lease) with land-owners to agree on payment of property rates.*	DPWI Sector	31-Jul-21	DPWI is still engaging landowners. For the WC, they reported that properties are only located in and owned by the CoCT which stopped billing rates in the last rates cycle (2021/22). Consensus has been reached between the CoCT and the WCG DTPW for the transfer of ownership of such properties.
Reliability of the Sec 71 Reports	Engagements required with Municipalities, Departments including NT and CoGTA on the reliability of the debt amounts disclosed by municipalities. the Standard Disclosure Note	DPWI, NT, CoGTA and SALGA	On-going	NT to lead by ensuring that futuristic Sec 71 reports bear correct and substantiated debt.
User Departments Debt to DPWI	Monitoring User Depts compliance based on FOSAD resolutions	DPWI	30-Jun-21	User departments not honouring the agreements from the FOSAD meeting in December 2020.
	Nomination and appointment of dedicated	Presidency with	30-Jun-21	Draft letter developed and approved by

RECOMMENDATIONS

- It is recommended that the Technical Task Team for Eskom:

  - Notes the status of the debt owed to Eskom by municipalities;
  - Endorses the rescheduled dates for the outreach programme and notes the challenges associated thereof;
  - Notes the process and progress to address the wheeling arrangement challenges;
  - Notes the progress with the COS studies exercise; and
  - Notes the progress with Organs of state debt owed to municipalities.

THANK YOU



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Department:
Public Enterprises
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water & sanitation
Department:
Water and Sanitation
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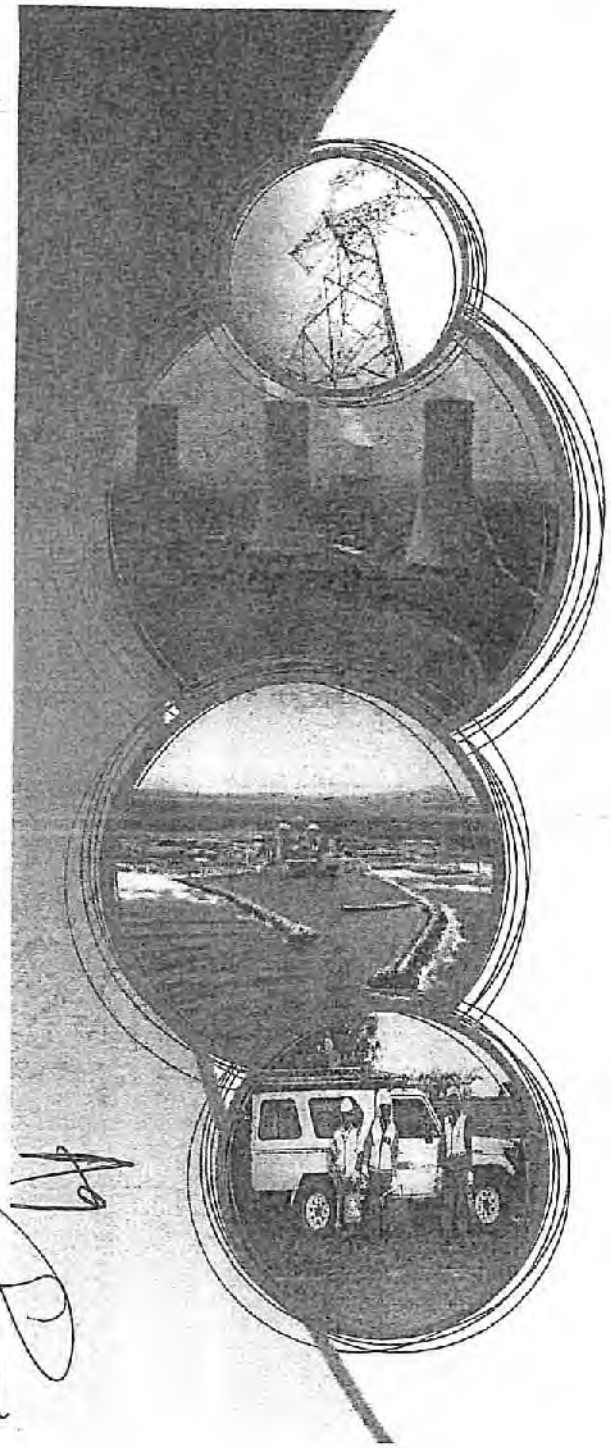
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Eskom

Eskom Task Team

Debt owed to Eskom by defaulting Municipalities

07 May 2020

Municipal Debt - Executive Summary

Eskom

1. Municipal arrear debt owed to Eskom increased from R19.9Bn (March -2019) to R28.04Bn as at 31 March 2020; This is an increase of R8.2Bn over the past 12 months.

2. Despite Eskom concessions such as reduced Interest Rates, extended Payment Days and payment allocation to Capital first, payment behaviour by defaulting Municipalities has not materially changed.

3. In response to National Treasury's Recommendation in the response letter dated 03 Oct 2019, Eskom has put R23bn Arrear Debt as at 30 September 2019 in a Suspense Account.

   - Interest growth on this debt will be suppressed to contain the growth of the Debt. The next step is the engagement with National Treasury on the treatment of the Arrear Debt.

4. The Eskom Financial System has been configured to address any In-Duplum Interest situation as and when they arise

5. Eskom follows a 3-Tier Collection approach by; Securing the Current Account as a priority, Reducing the Arrear Debt via Payment Plans/Arrangements, and Prevention of future debt growth by:

   - Providing support to Municipalities to deal with their challenges relating to; Tariffs, Billing and Collections, Metering, Illegal connections etc

   - Providing opportunities for Pre-Payment arrangements

   - Direct supply to customers where there is mutual agreement with the Municipality or so directed by the Courts.

Municipal Debt - Executive Summary

Eskom

5. Discussions commenced between Eskom, SALGA, MISA and CoGTA with the aim of Active Partnering to resolve liquidity challenges within municipalities.

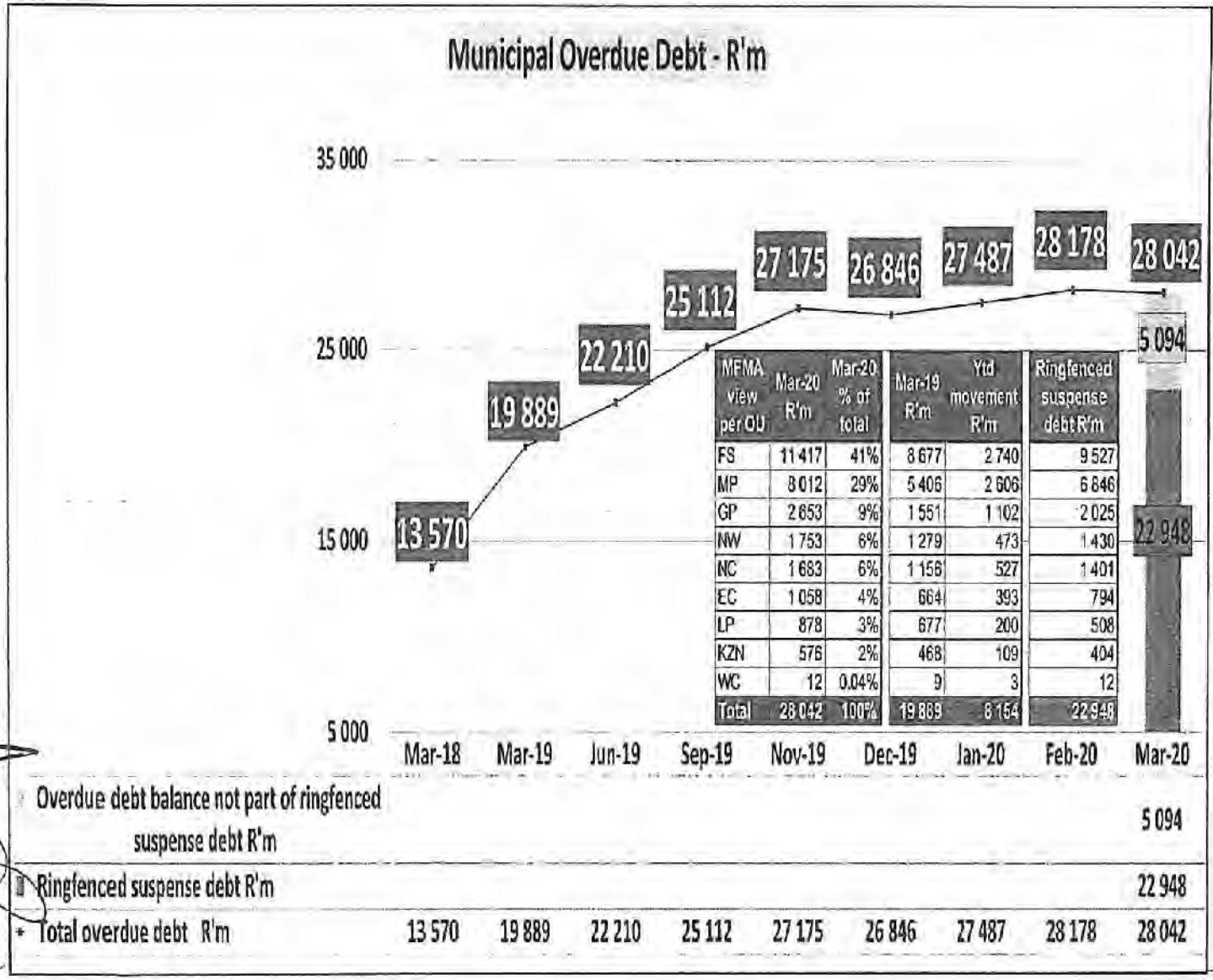
6. Eskom is taking all lawful steps to recover debt owed by defaulting Municipalities.

7. Eskom debt collection efforts are met with litigation from 3rd parties and Municipalities thus perpetuating the culture of non-payment as municipalities take a payment holiday whilst the Court processes are in progress

8. Eskom is up-to-date with all Municipal Accounts for Rates and Taxes owed to Municipalities

Overdue Municipality accounts - R'm

Eskom



MFMA view per OU	Mar-20 R'm	Mar-20 % of total	Mar-19 R'm	Ytd movement R'm	Ringfenced suspense debt R'm
FS	11 417	41%	8 677	2 740	9 527
MP	8 012	29%	5 406	2 606	6 646
GP	2 653	9%	1 551	1 102	2 025
NW	1 753	6%	1 279	473	1 430
NC	1 683	6%	1 156	527	1 401
EC	1 058	4%	664	393	794
LP	878	3%	677	200	508
KZN	576	2%	468	109	404
WC	12	0.04%	9	3	12
Total	28 042	100%	19 889	8 154	22 948

	Mar-18	Mar-19	Jun-19	Sep-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
Overdue debt balance not part of ringfenced suspense debt R'm									5 094
Ringfenced suspense debt R'm									22 948
Total overdue debt R'm	13 570	19 889	22 210	25 112	27 175	26 846	27 487	28 178	28 042

- The top 20 defaulting municipalities constitute 81.25% of total invoiced municipal arrear debt
- 40.7% of the total arrear debt is owed by Free State municipalities.
- A total of 48 active payment agreements are in place with defaulting municipalities, 19 agreements are being fully honoured.
- Eskom Interdicted from interrupting supply to 16 of the top 20 owing municipalities
- Only 1 Municipality in the top 20 is honouring the current account and payment plan.

Culture of Non-Payment

Eskom

1. The Defaulting Municipalities have demonstrated over time that they do not regard Eskom as a priority creditor

2. Disputes are generally cited without bases and no specific disputes of Accounts are presented with evidence

3. Payment plans are cited as unaffordable with expectations of concluding payment plans with payments not even covering the current account of the prior month

4. There is a total disregard for the conditions of the Electricity Supply Agreement, affirming their disregard for basic contract law

5. Litigation is pursued either by the Municipality, Provincial Governments or Third Parties, with no intention of settling the debts but to create an opportunity for further payment holiday

6. Even in instances where there are Court Judgements against certain Municipalities, complete disregard of Court Orders is the order of the day

In Eskom's experience, it is worth noting that in all the engagements, the focus is not on how and when municipalities intend to pay their Arrear Debt and Current Accounts.

Response to CoGTA, NT and SALGA Presentation

Eskom

INTER-MINISTERIAL TASK TEAM (IMTT)

1. The IMTT has unfortunately not achieved the objective of ensuring that debts owed to Eskom is PAID by the Municipalities.

2. For the 3 years duration of the IMTT, debt owed to Eskom by municipalities has exponentially increased.

3. Eskom did not support the IMTT submission to cabinet as it did not address the fundamental issue of ensuring PAYMENT OF THE DEBT.

4. The current attempts to advance the said resolutions of the IMTT continues on the same path of not addressing the non-payment of accounts by the delinquent municipalities.

5. Eskom views this as further delaying tactics in not just paying the arrear debt but in addressing the nop-payment of current accounts.

ELECTRICAL DISTRIBUTION AND RETICULATION MANDATE

1. It is acknowledged that there are differences in interpretation and opposing positions regarding this matter.

2. Prior submissions to cabinet by the IMTT on this matter omitted the Eskom views and inputs and only presented a SALGA view.

3. National Treasury was tasked to facilitate a phasing in of an Interim SDA which was supported by Eskom but rejected by SALGA

4. Despite this dispute, in Eskom's view, there is no relation to the current culture of non-payment by Municipalities and should not be advanced as reasons for not paying their electricity bulk purchases.

Response to CoGTA Presentation

Eskom

PUBLIC LIGHTING

1. Public Lighting is currently a local government competency.

2. Electrification grants do not cater for the provision public lighting nor do they cater for the Energy Consumption.

3. Eskom has no formal disputes related to billing of public lighting

4. Eskom will take direction from the DMRE on this matter.

5. We fail to see the relevance of this issue as a reason why municipalities are failing to pay for their bulk electricity purchases.

AREAS OF SUPPLY

1. This is a Regulatory issue and has no bearing on the matter of non-payment,

Response to CoGTA Presentation

Eskom

NMD (NOTIFIED MAXIMUM DEMAND) PENALTIES

1. The NMD rules are NERSA approved rules and are in line with the Electricity supply agreement and regulatory framework.

2. Exceeding the NMD means the customer is using capacity not reserved or allocated to the customer and is in breach of their electricity supply agreement.

3. Customers exceed their NMDs and instead of disconnecting customers for this breach, the NMD rules were put in place.

4. To ensure penalties are not levied, Eskom can limit the supply to the stated NMD.

5. These penalties are negligible in relation to the total debt or current accounts, therefore cannot be the reason for non-payment of the current accounts.

6. The NERSA is reviewing the NMD rules and Eskom will comply to what is approved by the regulator.

Response to CoGTA Presentation

Eskom

INTEREST CHARGES

1. Interest charges on late payment is an acceptable and sound business practice. Municipalities also charge their customer interest on late payment.

2. Waiver of interest effectively means that the finance costs are borne by the creditor whilst giving the debtor an interest free loan.

3. It is evident that municipalities has been using Eskom to finance their operations by non-payment of their accounts.

4. Waiver of interest will continue to encourage the culture of non-payment and it will be at a non-prudent cost to Eskom.

5. Eskom has already reduced the interest as part of the concessions. This has not resulted in a change in the payment culture and is seen as another frivolous reason for the non-payment.

6. **Eskom may consider waiver of part or all interest of historical debt only upon the full settlement of all arrear debt owed.**

7. Eskom has offered multiple payment plans, with municipalities defaulting on the current account in the first month of the plan.

Response to CoGTA Presentation

Eskom

ESKOM CONCESSIONS

1. Eskom Implemented the following concessions in July 2017:
   I. Reduced the interest rate charged on overdue municipal bulk accounts from prime plus 5% to prime plus 2.5%;
   II. Payment extended from 15 days to 30 days for municipal bulk accounts;(Non-Metros)
   III. Payments received from municipalities being allocated to capital first, then to interest

2. The rationalisation of municipal tariffs from eleven to three was submitted to NERSA and was not approved.

3. All concessions was implemented systematically and is consistently applied.

4. Eskom also suppress further interest accrual when payment plans are adhered to.

5. No specifics has been submitted to Eskom to dispute the implementation of the concessions. These are general statements to justify non-payment.

6. The implementation of these concessions has not led to improved payment behavior by the municipalities.

Response to CoGTA Presentation

Eskom

RECONCILATION OF MUNICIPAL DEBT TO ESKOM

1. Eskom has not received any formal dispute from a municipality regarding the accuracy of the debt owed.

2. These are general comments without specific evidence of incorrect debt statements.

3. Eskom welcomes any municipality to provide concrete evidence of incorrect debt statements and if verified, will correct it.

4. We can confirm that none of the municipal debt has prescribed. This request further enforces the belief that municipalities are withholding payment and employing delay tactics in the hope that debt will prescribe and become uncollectable.

5. The Eskom Financial System has been configured to address any In-Duplum Interest situation as and when they arise

6. Eskom has complied with various requests to unpack and report on the debt. All this has been in vain and is seen as another delaying tactic to settle the outstanding debt.

Conclusion

Eskom

1. Municipal payment levels remains Eskom's biggest liquidity risk.
2. Eskom is strengthening its Debt Collection strategies to improve its financial sustainability.
3. Perpetual non-payment of Current Accounts is cause for radical action.
4. Restructuring of arrear debt in Suspense Account will be considered based on payment levels improvement.
5. Municipalities must pay Current Accounts.
6. We will accelerate active partnering to find lasting solutions for the industry.
7. Eskom may consider take over of supply to customer where municipalities are unable to meet their license conditions.
8. Culture of payment for services must be advocated.

Discussion on Resolving Municipal Debt to Eskom and State Organ Debt to Municipalities

JOINT PRESENTATION TO THE PTT

By NT, CoGTA, DPE, DHSWS, DPWI, SALGA, Eskom

14 May 2021

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public enterprises
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Public Enterprises
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PROBLEM STATEMENT.....

The governance at some municipalities have been weak with inadequate leadership and guidance. These municipalities are failing at effectively delivering services, billing for services and collecting the revenue due.

This is exacerbated by poor asset management, specially those of revenue generating potential.

Consequently, outstanding debtors are increasing and they are not able to maintain positive cash flows to pay creditors such as Eskom and Water Boards within the thirty days timeframe as legally prescribed and at all in some cases.

This is evidenced by the deterioration of the year on year audit outcomes and the increase of the irregular and fruitless and wasteful expenditure.

KEY OBSERVATIONS – S71 REPORT FOR PERIOD ENDING DECEMBER 2020

National Perspective for 257 municipalities

Creditors age analysis

R67.2bn

R thousands Creditor Age Analysis	Total Amount	%
Bulk Electricity	26 652 448	39.6%
Bulk Water	13 393 878	19.9%
PAYE deductions	710 995	1.1%
VAT (output less input)	475 176	.7%
Pensions / Retirement	589 169	.9%
Loan repayments	2 387 691	3.5%
Trade Creditors	16 103 641	23.9%
Auditor-General	155 609	.2%
Other	6 825 033	10.1%
Total	67 288 784	100.0%

Debtors age analysis

R230.5bn

- Organs of State debt – (R20.7bn) 9.0%
- Commercial – (R39.0bn) 16.9%
- Household debt – (R166.5bn) 72.2%

The debt value chain

Consumers

1. Organs of State R20.7bn
2. Commercial R39.0bn
3. Households R166.4bn

Total = R230bn

Municipalities

1. Electricity R27.1bn
2. Water R66.9bn
3. Waste R21.3bn
4. Property Rates

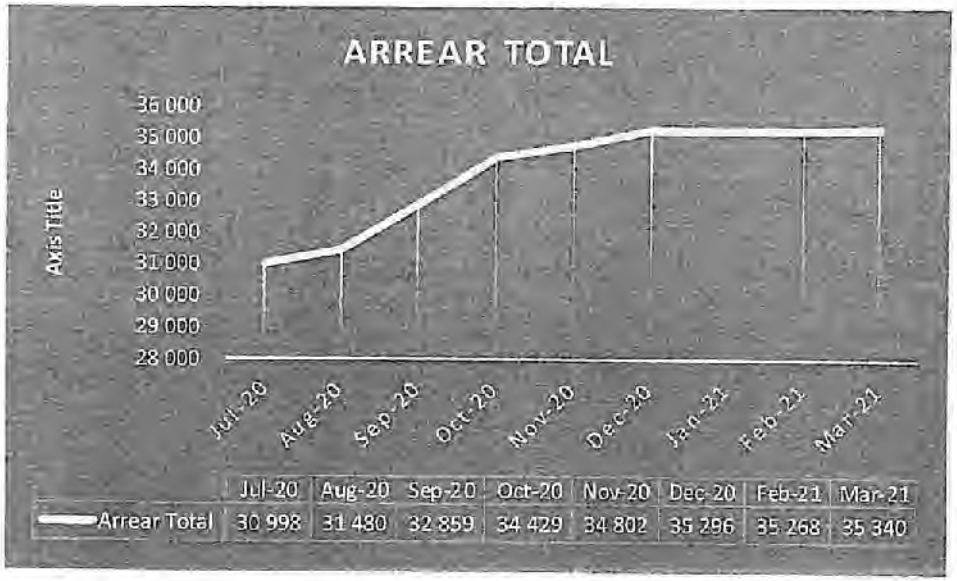
Total = R115.5bn

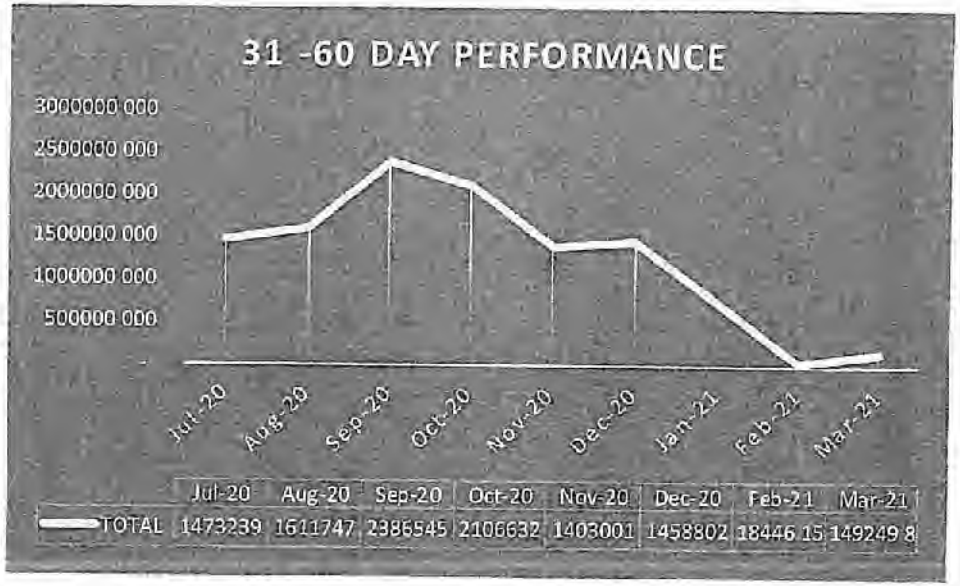
Bulk services providers

1. Eskom R26.6 (R35bn)
2. Water Boards and Dept of Water and Sanitation R13.3bn

Total = R48.3bn

MUNICIPAL DEBT OVERVIEW AS AT MAR 2021 - OBSERVATIONS OVER THE LAST FEW MONTHS





- Municipalities have made a concerted effort to honour their current account payments
- Letters that we wrote contributed to this initiative
- By targeting this category – it is believed that the total debt burden will reduce
- Problem is still the outstanding debt and the interest and penalties that is causing the debt to increase – R35bn

DWPI PROGRESS - SUMMARY OF S71 IN THREE QUARTERS - JUNE 2020 TO DECEMBER 2020

R'000 DPWI Sector	Jun-20	Sep-20	Dec-20
National	3 153 652	1 875 976	7 154 260
Provincial	4 097 094	3 938 929	4 049 740
Sub Total	7 250 746	5 814 905	11 204 000
RSA	658 334	879 674	888 181
DAFF	1 310 529	2 255 867	1 539 095
Prov - Education	1 139 480	1 440 126	1 375 128
Sub Total	3 108 343	4 575 667	3 802 404
TOTAL	10 359 089	10 390 572	15 006 404
S71 Total for Organs of State	14 787 519	16 050 229	20 714 870
% of Top Defaulters	70%	65%	72%

DWPI PROGRESS - TOP 10 DEFAULTERS - DEBT OWED TO MUNICIPALITIES

Province	Departmental Balances (or balance agreed with municipalities) as at 31 March 2020	Billing for 2020/21	Payments made from 01 April 2020 - 31 March 2021	Balance Amount (Debt) After Payment	BREAK-DOWN OF DEBT BALANCE				Total amount unpaid (Allocation, Ownership, Interest and Under
					Confirmed amount unpaid due to budget constraints	Unpaid portion of the balance due to Ownership challenges	Unpaid portion of the balance related to Interest accrued	Amount still under investigation	
EC	156 606 691	554 613 016	604 745 520	106 474 187		65 399 036	26 726 146	14 349 005	106 474 187
FS	833 047 314	887 695 523	764 708 340	956 034 498	956 034 498	-	-	-	956 034 498
GP		1 290 045 243	1 098 439 265	191 605 978	99 454 628	92 151 350			191 605 978
KZN	-	828 524 000	831 745 444	-3 221 444	74 000 000		4 808 079		78 808 079
LP	709 251 381	100 000 000	194 245 000	615 006 381		615 006 381			615 006 381
MP	246 980 676	396 752 804	301 201 114	342 532 366	257 457 598	41 804 196		13 280 375	312 542 169
NC	566 925 208	156 947 144	67 217 000	656 655 352	286 946 987	369 708 365			656 655 352
NW	-	383 573 204	342 275 875	41 297 329		62 910 509			62 910 509
WC	-210 349 000	1 075 841 456	968 784 043	-103 291 587	-	-	1 867 306		1 867 306
TOTAL	**2 302 462 270**	**5 673 992 390**	**5 173 361 601**	**2 803 093 060**	**1 673 893 712**	**1 246 979 837**	**33 401 531**	**27 629 380**	**2 981 904 460**

The DPWI is undergoing a verification exercise with all municipalities to confirm the reported debt and agree on the accurate debt to them. Municipalities are required to sign-off the agreed debt and adjust their reports (Sec 71) accordingly and progressively. Once the debt is signed-off, it is paid immediately as money has been set aside for that. Once the exercise is completed, the DPWI will be in a better position to know for sure how much debt is owed per category (i.e. SDFs, R293s, and Deemed Properties). Periodical reports will be provided in terms of progress.

CROSS CUTTING ISSUES TO ASSIST IN IMPROVING SUSTAINABILITY

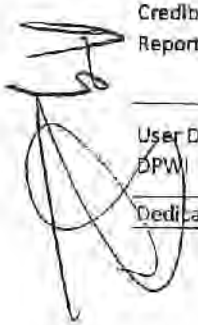
- **There are a number of current cross cutting initiatives aimed at improving municipal sustainability**
  - NT adopted the "Game Changers" to address municipal financial performance failures, it targets, Revenue Management, Asset Management, mSCOA, Funded Budgets, improve Audit Outcomes and SCM – advisors deployed to provinces in each area of work
  - Based on the Budget Council and Budget Forum resolution, municipality's council must adoption of funded budgets, ensuring that bulk current account payments are included
  - B2B focuses on improving Political stability, Governance, Service Delivery, Financial Management, Institutional Management, Community Satisfaction
  - MISA - recovery support, NDM audits bulk points, energy losses and collection, policy development, development of a energy master plan
  - DDM assist all municipalities to accelerate, align and integrate service delivery
  - Campaign – culture of payment - responsible citizenry campaign outreach programme
  - Panel of facilitators – resolve disputes
  - Restructuring of debt to inform realistic and reliable payment arrangement

CROSS CUTTING ISSUES TO ASSIST IN IMPROVING SUSTAINABILITY

- **There are a number of current cross cutting initiatives aimed at improving municipal sustainability**
  - DPWI is engaging with municipalities to settle debt owed to them, include
    - Incorrect reporting by municipalities (Sec 71 reports figures disputed by departments)
    - Non-allocations/Misallocations/Uncleared Suspense Accounts
    - Uncorroborated Interest charges (e.g. due to misalignment between Council resolutions and PFMA requirement, e.g. 7 days as apposed to 30 days)
  - Simultaneously, addressing the root causes
    - Provincial depts. budget constraints
    - Ownership Challenges: (Mostly Custodians – DPWI and DALRRD)
    - State Properties Inconsistencies on the Deeds Records (RSA properties)
    - Vesting and Transfer delays
    - Facilities on (non)state land (SDFs) , un-surveyed or surveyed but not registered
    - Lack of agreements (MoA/Us and Lease) on properties sitting on non-state land (Rates responsibility)
  - Focus on assisting the top 20 defaulters with initiatives to resolve and pay monies owed by DPWI (Nat and Prov) specifically

ACTION PLAN FOR PHASE 1 OF DEBT BY ORGANS OF STATE

DISCRIPTION	ACTION	RESPONSIBILITY	TIMELINE	PROGRESS / COMMENT
BUDGET CONSTRAINTS	1. Confirmation of allocation and expenditure 2. Meeting confirmed with NT to discuss this and find how funding can be availed to settle the confirmed debt.	DPWI Sector	28-Apr-21	In progress
OWNERSHIP	1. **Limpopo Pilot project** - DPWI to kick-off the project to survey state properties in order to properly record them on Deeds and IAR and for municipalities to bill appropriately futuristically)	DPWI	01-May-21	Evaluation of quotations in progress
	2. **State Domestic Facilities (SDFs)** – *DPWI Sector agreed on a standard approach (SDF framework) to address property ownership challenges and unpaid property rates on State properties. Each province to customise the framework in terms of their particular provincial circumstances.*	DPWI Sector	01-May-21	Collation of information and development of circulars in progress.
	3. **R293 properties** – *DPWI Sector agreed on a standard approach (SDF framework) to address property ownership challenges and unpaid property rates on State properties* ***on municipal land***.	DPWI Sector Departr	14-May-21	An R293 Circular has been issued by the DPWI and already being implemented. CoGTA/SALGA to intervene where Municipal Councils refuse to pass council resolutions to donate the affected land parcels to National/Provincial Custodian departments. Issuing of circulars by Provincial PW depts, in progress.
	4. **Deemed Properties (including RSA properties)** – *DPWI Sector to agree on a standard approach to address unpaid property rates on State properties not accounted for by any custodian departments.*	DPWI Sector Departr	01-May-21	Meeting with NT, SALGA and CoGTA confirmed for 22 April 2021 to discuss issues inhibiting progress or requiring legislative/policy clarity.
	5. **Interim measure** – *signing agreements (MoA or Lease) with land-owners to agree on payment of property rates.*	DPWI Sector	01-May-21	On-going
Credibility of the Sec 71 Report	Engagements required with Municipalities, Departments including NT and CoGTA on the reliability of the debt amounts disclosed by municipalities. the Standard Disclosure Note	DPWI, NT, CoGTA an	31-Mar-21	Meeting with NT, SALGA and CoGTA confirmed for the 4th week of April 2021 to discuss proposals, e.g. the inclusion of a Standard Disclosure note on Municipal AFS which will detail the customer debt and the progress and impact of the use of mSCOA.
User Departments Debt to DPWI	1. Monitoring User Depts compliance based on FOSAD resolutions	DPWI	01-30 April 2021	On-going
	2. Reporting non-compliance to PTT	DPWI	01-May-21	Pending
Dedicated officials	Nomination and appointment of dedicated officials	Presidency with assi	05-Mar-21	In progress



CROSS CUTTING INITIATIVES PROPOSED

- **Additional initiatives proposed to compliment current programmes in sustaining finances of municipalities**
  - Investigations into policy matters to address and arrest debt owed to municipalities
  - Potential Amendment of SCM Regulations and Procurement Framework,
    - no municipality, provincial and national government department, state entity and any other organ of state transact with any entity whose directors and the entity itself are not up to date with their municipal bill
    - rates clearance certificate has to be made a compulsory requirement in bid submission documents similar to a tax clearance certificate from SARS
  - Amendments to Systems Act and other key legislation to all municipalities to enforce their credit control
  - Schedule 2 Section 10 to be reviewed to not only include municipal officials but all government officials
  - A proposal to align payment of traffic fines with other municipal services

The unfortunate reality is that municipalities have to be assisted to become financially sustainable before they can consider honouring arrear payments to creditors.

- **Governments response to this crisis**
  - Jointly (NT and CoGTA) prepared a Cabinet Memorandum – with an approach to address financial performance failures and service delivery challenges in 39 municipalities, in a similar situation as Lekwa Local Municipality in MP.
- **The Lekwa High Court Case has set precedence**:
  - High Court Order - **Cabinet must demonstrate decisiveness in implementing consequence management** - also serve to be preventative in nature for other cases.
  - The 39 municipalities require a deliberate and decisive strategy and correct application of s139 intervention process - Implementation of remedies must respond to the problems.
  - National Government will communicate with the Premiers respectively notifying them of municipalities that are in financial and service delivery crisis.

The Lekwa Case Continued: Cabinet Submission

- Failure to implement the appropriate remedial action by Provinces will force the matter to be escalated into a national intervention process.
- Cabinet will decide on the course of action to be taken should the province fail to intervene and resultantly perpetuating the crisis.
- Municipalities that are in financial distress and not in financial crisis yet must as a first step towards recovery ensure that adopted budgets by councils are funded – avoid accumulation of debt and future financial problems
- **Concurrently, these municipalities will be subjected to the first phase of the new approach to Financial Recovery - Funded Budget, Cash Containment, Cash Flow Management, Debtor Management, Creditor Management, and cash-backing of Conditional Grants.**

Government Response to the crisis:

- Arrear debt owed to Eskom as March 2021 – R35bn
- Top 20 defaulters arear was R28.2bn
- 10 municipalities included in the 40 targeted for support is R 23bn of the R28.2bn

1. **FREE STATE PROVINCE** **(2)**
    1. Matjhabeng
    2. Maluti-a-Phofung
2. **GAUTENG PROVINCE** **(2)**
    1. Emfuleni
    2. Merafong City
3. **LIMPOPO PROVINCE** **(1)**
    1. Modimolle-Mookgopong Local Municipality
4. **MPUMALANGA PROVINCE** **(4)**
    1. Lekwa
    2. Govan Mbeki
    3. Emalahleni (MP)
    4. Thaba Chweu Local Municipality
5. **NORTH WEST PROVINCE** **(1)**
    1. Ditsobotla

ADDITIONAL INITIATIVES THAT WILL REDUCE THE ELECTRICITY DEBT CRISIS IN MUNICIPALITIES

- Resuscitate the process to implement the resolutions of the panel report – IMTT.
- Finalise of the SDA framework for implementation between Eskom and SALGA, this will contribute to the municipality's endeavour to improve revenue collection.
- DPWI sector will engage with municipalities that appear on the Top 20 Eskom defaulting list to expedite settlement of debt owed to them.
- Dedicated team to address the ownership issue to curb the escalating Organs of State debt
- Smart solution be prioritised in the top 20 defaulting municipalities as a start – propose funding options.
- Transversal contract for the smart meters be finalised for municipalities to utilise.
- The COS study currently commissioned will assist in understanding the function and influence proper tariff setting.
- Pursue support from Eskom through the active Partnering Arrangement within the legislative prescripts.

APPROACH TO ADDRESS THE CHALLENGE

Intervention Route

- 40 municipalities – provinces to decide the applicable intervention necessary
- Include 10 of the Top 20 defaulters list for Eskom.
- Phase 1 – Rescue - FRP – includes dealing with creditor payments, Eskom.
- Mobilise relevant stakeholders such Eskom to support

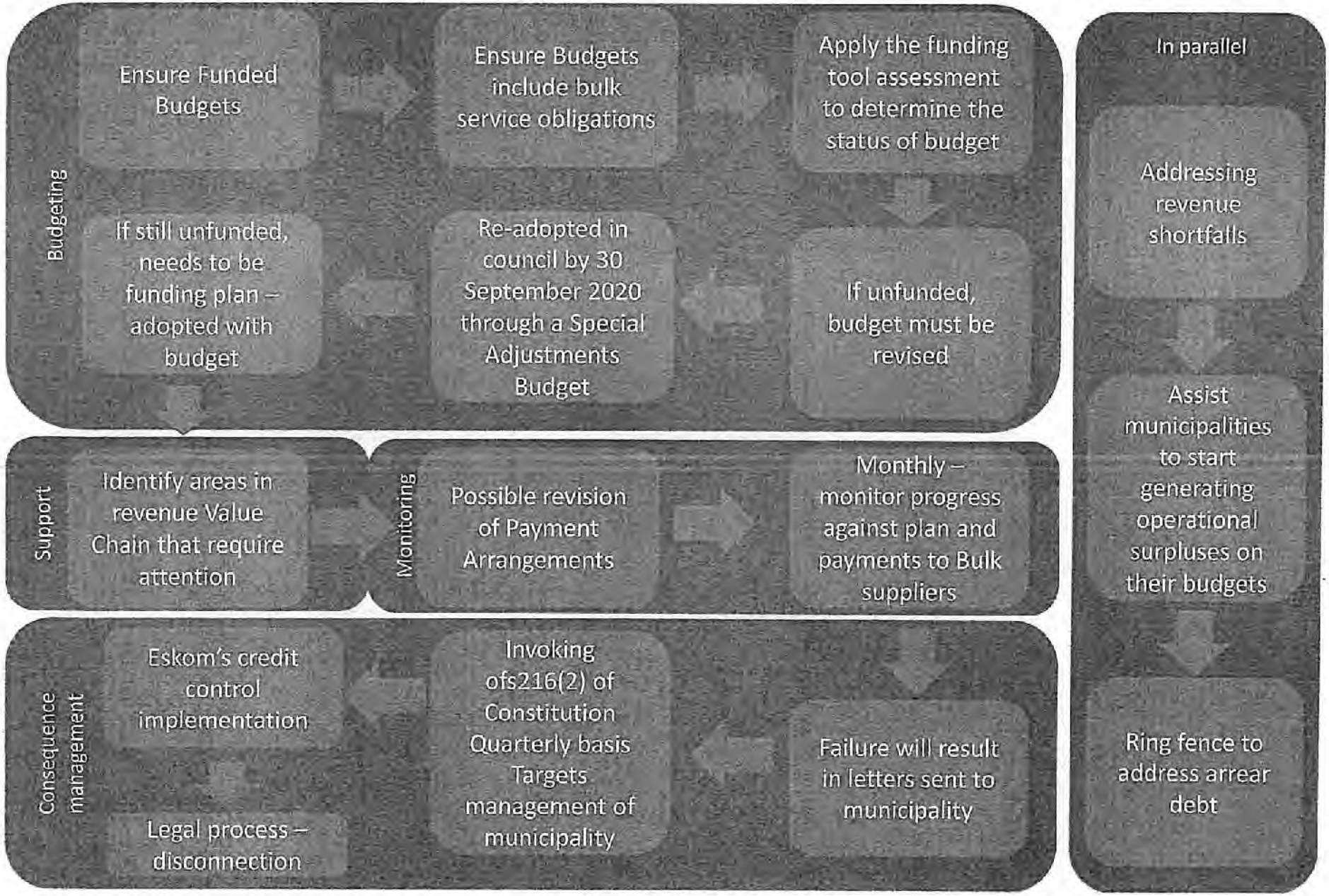
S154 support

- Remaining 10 municipalities on Eskom Top 20 defaulters list.
- Phase 1 – Rescue - FRP – includes dealing with creditor payments, Eskom.
- Funded budgets to prevent those in financial distress to fall into crisis.
- Mobilise relevant stakeholders such Eskom to support.

Strong monitoring and oversight

- Strengthen monitoring and oversight to avoid those in financial distress to fall into crisis.
- Funded budgets to prevent those in financial distress to fall into crisis.
- Ensure current account payments budgeted and paid monthly.

The process of ensuring that debt issue is addressed adequately



RECOMMENDATIONS

It is recommended that the PTT:

- **Notes** the current financial status of municipalities;
- **Notes** the debt owed to Eskom;
- **Acknowledges** the progress to date to address the Eskom debt;
- **Recognises** that there are broader Legislative and Policy issues required to address the structural and systemic issues in the electricity sector;
- **Agrees** to the initiatives and approach to address the top 20 defaulting municipalities owing Eskom;
- **Agrees** that punitive legal measures such as invoking s216(2) of the Constitution to restore compliance must be ulitised; and
- **Agrees** on the collective approach by Government to restore financial and service delivery confidence.

OUTREACH CAMPAIGN – LED BY COGTA

RESPONSIBLE CITIZENRY CAMPAIGN OUTREACH PROGRAMME

Background

- This outreach programme forms part of the broader Responsible Citizenry campaign
- This outreach programme provides a platform for the Political Task Team to engage directly with stakeholders and communities
- The outreach will also focus on Free Basic Services and illegal activities such as:
  - Non-payment
  - Illegal connections (water and electricity)
  - Meter tampering
  - Ghost vending
  - Water meter tampering

Objectives

- Raise awareness about the Responsible Citizenry Campaign(To educate citizens about the benefits of paying for municipal services
- To highlight the negative impact of non-payment
- To engage key stakeholders including business, local government and community representatives
- To address municipal non-payment versus consumer non-payment
- Raise awareness about registering as indigent to access FBS by poor households

OUTREACH CAMPAIGN – LED BY COGTA

LIST OF MUNICIPALITIES IDENTIFIED FOR THE CAMPAIGN OUTREACH
(Starting from April 2021 – December 2022)

MUNICIPALITY	PROVINCE	PROPOSED TIMEFRAMES
Thaba Chweu	Mpumalanga	May 2021
Modimolle Mokgopong	Limpopo	June 2021
Naledi *	North West	July 2021
Matjhabeng LM	Free State	August 2021
Rand West	Gauteng	September 2021
Nala LM	Free State	October 2021
Emalahleni	Mpumalanga	November 2021
Ditsobotla	North West	December 2021
Ngwathe LM	Free State	January 2022
Merafong	Gauteng	February 2022
Thabazimbi *	Limpopo	March 2022
Moqhaka LM	Free State	April 2022
Govan Mbeki *	Mpumalanga	May 2022
City of Matlosana	North West	June 2022
Dihlabeng LM	Free State	July 2022
City of Mbombela	Mpumalanga	August 2022
Nketoana LM	Free State	September 2021
Lekwa LM	Mpumalanga	October 2022
Maluti A Phofung LM	Free State	30 March 2021 – Deputy President oversight visit Follow-up in November 2022
Emfuleni LM	Gauteng	23 March 2021 - Deputy President oversight visit Follow-up in December 2022

Please note that in some municipalities the payment levels are high, but the municipalities are still not paying Eskom or the water authorities. So in some cases the consumers must be engaged and in other cases the municipalities must be engaged.

* targeted for smart metering

OUTREACH CAMPAIGN – LED BY COGTA

STAKEHOLDERS FOR THE OUTREACH

IDENTIFIED STAKEHOLDERS	ROLES
Political Task team	To lead the outreach programme
National Task Team on Eskom debt	To facilitate engagements with identified municipalities through formal IGR letters (COGTA to lead this)
Provinces (Premiers/ MECs)	To facilitate or partake in the discussions with the municipalities on the outreach programme To actively participate in the outreach programme by attending community events Partner with national department in terms of rolling out the outreach programme Focus on the key debt areas in each province
Municipalities (MMC for water and Electricity, Mayor, MM)	Identify hotspots with high levels of ghost vending, water and electricity illegal connections and meter tampering and non-payment – in terms of water and electricity Use the municipal channels to create awareness about the outreach programme and to broadcast messages
Eskom/Municipalities	Identify Eskom hotspots in terms of illegal connections, meter tampering and ghost vending
Department of Water and Sanitation	Identify areas with high water losses and reasons for the losses and non-payment
Municipal customers	Educate the consumers about the benefits of paying for municipal services Dangers of illegal connections
Media	To attend outreach events and assist in conveying messages to consumers about payment for municipal services, water and electricity
Local councilors and community leaders in hotspot areas	Consult with them to gain their support for the outreach initiatives to reduce public unrest, and to get their buy-in around the benefits for paying for municipal services

OUTREACH CAMPAIGN – LED BY COGTA

IMPLEMENTATION ACTIVITIES OF THE OUTREACH	
ACTIVITY	**RESPONSIBILITY**
Identify municipal communication channels to be used for outreach in specific areas, such as SMS, Twitter and Facebook	Municipal communication teams
CoGTA to provide content to municipalities for media engagement channels	COGTA team
Arrange walkabouts in hotspot areas by Mayor, MM and local councilors, Political Task Team, DDM champions – due consideration to be given to adherence to COVID-19 precautions, such as wearing of masks, sanitizing and social distancing	Municipal communication teams
Invite local media to walkabouts	Municipal communications team
Do interviews on local radio stations in hotspot areas (added value)	Mayor/MM
Discourage illegal connections and ghost vending in hotspot areas	Municipal team or Eskom/water authority depending on who supplies the area
Provide educational material related to the Payment Campaign to municipal offices/payment centres in hotspot areas	CoGTA team

OUTREACH CAMPAIGN – LED BY COGTA

PROGRESS ON THE CAMPAPIGN ROLLOUT: MEDIA ENGAGEMENT PLATFORMS

- **Total Expenditure amounted to R29.9 million for 2020/21 FY**
  - Total print R8.5 million
  - Total radio R8.5 million
  - Total production and other R9.3 million
  - VAT R3.6 million
- **Various media engagement platforms have been utilized to rollout the campaign**
  - 21 commercial radio stations
  - 105 community radio stations
  - Social media: You Tube, LinkedIn, Twitter, Facebook
  - Community print/ newspapers in all official languages and coverage in all provinces
  - Online newspapers
  - Govchat
  - Online TV
- **Various stakeholders have been engaged for support and institutionalization of the campaign and to continue with the engagement in the current financial year**

OUTREACH CAMPAIGN – LED BY COGTA

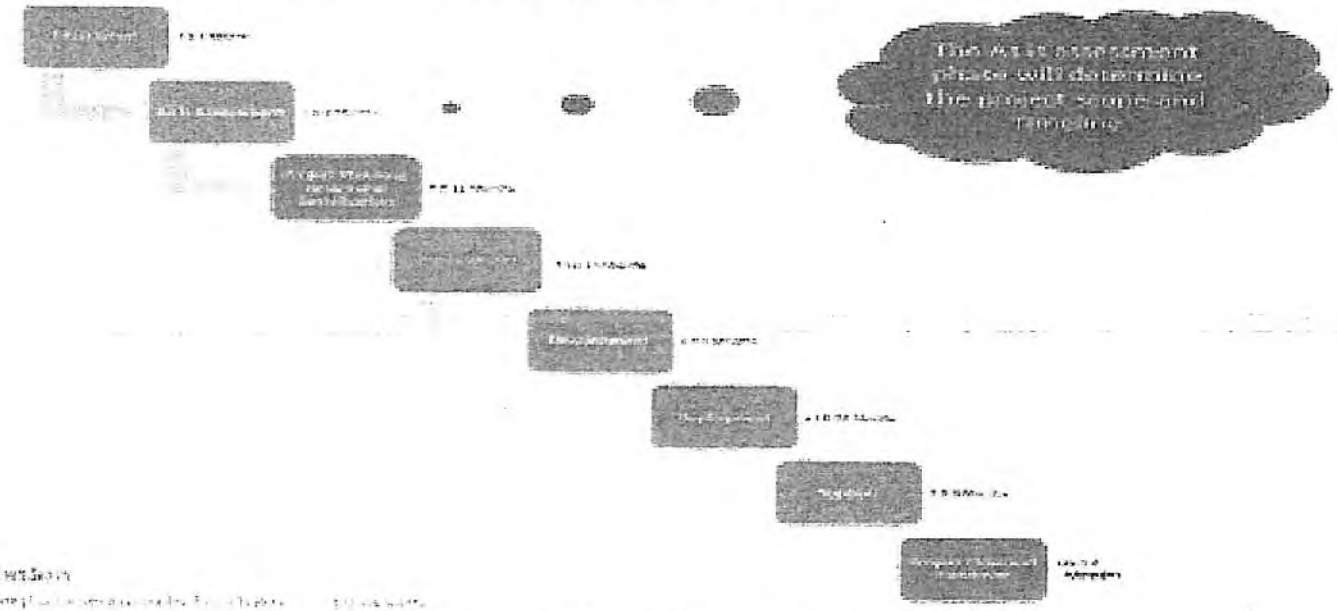
PROPOSAL ON THE CAMPAIGN ROLLOUT: 2021/22

- **No budget for the campaign currently** and all the stakeholder's part of the Eskom Task Team requested to set aside budget .
- Proposed budget to be utilized amongst others on the media engagement platforms used in 2020/21 campaign rollout.
- Currently making use of the **Govchat** to implement the campaign and will require funding going.
- Polls to be used to measure the impact of the campaign on the Govchat platform coverage to measure the willingness of the consumers to pay.
- **Online TV Platform**(proposal to name it COGTA TV) offered as an added value to the paid media engagement platform and will rum for a period of three (3) months(April–June 2021) and thereafter requires budget to sustain it.
- This is a platform to be used for the outreach programme and the campaign messages.

RESPONSIBLE CITIZENRY CAMPAIGN OUTREACH

BACKGROUND	UPDATE
❑ The Responsible Citizenry Campaign outreach will target the Top 20 defaulting municipalities. ❑ The outreach programme gives impetus to the broader campaign approach which up to know has been on mediated communication platforms including radio, print and social media. ❑ This outreach programme provides a platform for the Political Task Team to engage directly with stakeholders and communities. ❑ The outreach programme will be rolled out first in the Thaba Chweu municipality during the month of May 2021. ❑ Meeting held with the Mayor and the leadership collective of the Thaba Chweu Municipality on the 20 April 2021. ❑ Integrated Plenary meetings proposed to start comprised of national, provincial and local stakeholders. ❑ Thaba Chweu Municipality to propose suitable dates.	❑ Social Media Campaign is ongoing ❑ Online Print Campaign is ongoing **Proposed Thaba Chweu Outreach Format** ❑ Political Briefing – Reasons for Non-Payment ❑ Targeted Stakeholder Engagement – (Business, Civil Society Organisations Representatives –Households, Government.) ❑ Walkabout – indigent register drive targeting indigent households – raise awareness. ❑ Walkabout to illegal connection hotspot – educational. ❑ Radio Engagement to optimise reach and impact of the Responsible Citizenry Campaign key messages. ❑ Online TV production of the outreach for utilization on internal online platforms.

Smart Revenue Management Solution



Munic Overdue Debt (Top 20) - R'm

Top 20 Mun•cs Overdue Debt at end of Feb-21 —R28 640m (wh•ch•s 81% of total mun•c overdue debt). FY20 the Top 20 mun•cs annual overdue debt •ncreased with R6 812m.

		Overdue Debt R'm					
Munic	Province	FY16 YE	FY17 YE	FY18 YE	FY19 YE	FY20 YE	Feb-21
Maluti A Phofung	FS	1125	1839	2 694	3 769	5 071	5 755
Emalahleni	MP	568	917	1577	2 487	3 587	4 724
Matjhabeng	FS	771	1237	1770	2 199	3 025	3 648
Emfuleni	GP	0	76	621	1194	1972	2 758
Govan Mbeki	MP	167	298	514	1082	1768	2247
Ngwathe	FS	475	661	915	1085	1220	1319
Lekwa	MP	216	285	479	768	1085	1281
Thaba Chweu	MP	307	359	420	546	708	844
Ditsobotla	NW	144	194	286	405	570	681
Mod/Mookgophong	LP	83	172	238	370	549	628
City Of Matlosana	NW	85	126	87	231	377	593
Merafong City	GP	0	97	139	216	379	563
Rand West City	GP	56	117	109	135	291	518
Enoch Mgijima	EC	1	0	49	110	263	495
Dihlabeng	FS	58	123	173	221	345	487
City Of Mbombela	MP	21	26	59	142	212	463
Moqhaka	FS	0	132	193	221	308	425
Nala	FS	122	166	166	222	332	417
Naledi	NW	156	217	272	246	321	417
Nketoana	FS	87	122	165	234	311	388
Total Top 20 Munics		4442	7 166	10 924	15 883	22 695	28 640

Annual Overdue Debt Increase / (Decrease)				
FY17 YE	FY18 YE	FY19 YE	FY20 YE	Feb-21 YTD
715	855	1075	1 303	683
349	661	910	1099	1 137
466	533	428	826	623
76	545	573	777	786
131	216	569	685	479
186	254	170	135	99
68	194	290	317	196
52	60	127	162	137
50	92	119	165	111
90	65	132	179	80
41	-39	144	146	216
97	41	77	163	173
61	-8	25	157	226
-1	49	61	154	232
65	50	48	124	142
5	33	83	70	251
132	61	28	88	117
43	0	56	110	85
62	56	-26	75	95
35	43	70	77	77
2 724	3 757	4 959	6 812	5 945

* Top 20info based on Feb-21 Top 20 overdue munics

DEBT TO TOP 21 MUNICIPALITIES BY P-DPWI

Province	Top 20 Municipalities	Departmental Balances (or balance agreed with municipalities) as at 31 Dec 2020	Current Billing for 2020/21	Payments made from 01 April 2020 - 28 February 2021	Balance Amount (Debt) After Payment	BREAK-DOWN OF DEBT BALANCE				Total amount unpaid (Allocation, Ownership, Interest and Under Investigation)
						Payment in Progress	Confirmed amount unpaid due to budget constraints	Unpaid portion of the balance due to Ownership challenges	Amount still under investigation	
FS	Matjhabeng	4,778,536	145,167,021	139,335,840	10,609,717	-	10,609,717	-	-	10,609,717
	Nala	203,325	6,172,799	5,806,528	569,595	-	569,595	-	-	569,595
	Dihlabeng	2,374,286	19,272,587	17,419,831	4,227,043	-	4,227,043	-	-	4,227,043
	Nketoana	167,547	2,412,629	2,072,319	507,858	-	507,858	-	-	507,858
	Maluti-A-Phafung	56,503,565	103,284,060	82,878,742	76,908,883	-	76,908,883	-	-	76,908,883
	Moqhaka	1,344,526	35,555,520	18,917,830	17,982,217	-	17,982,217	-	-	17,982,217
	Ngwathe	13,736,344	10,605,071	14,067,425	10,273,989	-	10,273,989	-	-	10,273,989
GP	Emfuleni	-	106,557,130	95,627,708	10,929,422	5,361,460	-	-	5,567,962	5,567,962
	Merafong	-	14,962,714	14,683,526	279,188	-	-	-	279,188	279,188
	Rand West City	-	21,648,672	17,647,270	4,001,402	-	-	-	4,001,402	4,001,402

DEBT TO TOP 21 MUNICIPALITIES BY P-DPWI – 'continued'

DEBT OWED TO TOP 21 MUNICIPALITIES										
						BREAK-DOWN OF DEBT BALANCE				
Province	Top 20 Municipalities	Departmental Balances (or balance agreed with municipalities) as at 31 Dec 2020	Current Billing for 2020/21	Payments made from 01 April 2020 - 28 February 2021	Balance Amount (Debt) After Payment	Payment in Progress	Confirmed amount unpaid due to budget constraints	Unpaid portion of the balance due to Ownership challenges	Amount still under investigation	Total amount unpaid (Allocation, Ownership, Interest and Under Investigation)
FS	Matjhabeng	4,778,536	145,167,021	139,335,840	10,609,717	-	10,609,717	-	-	10,609,717
LP	Thabazimbi	1,804,898	501,911	1,727,010	579,799	-	-	579,799		579,799
	Modimolle-Mookgopong	4,829,580	716,676	2,324,188	3,222,068	-		3,222,068		3,222,068
MP	Lekwa	-	19,601,085	12,374,936	7,226,150	-	7,226,150	-		7,226,150
	Govan Mbeki	-	9,357,039	9,357,039	-					-
	Emalahleni	-	18,358,843	18,358,843	-					-
	Thaba Chweu	-	12,672,089	12,672,089	-					-
	City of Mbombela	-	78,934,478	78,934,478	-					-
NC	!Kai! Garieb	1,896,308	1,679,129	3,082,754	492,683	1,679,129	217,179	217,179	-	434,358
NW	Ditsobotla	-	2,853,909		2,853,909		2,853,909			2,853,909
	Naledi	-	15,692,476	15,692,476	-					-
	City of Matlosana	6,318,900	25,374,410	28,115,811	3,577,499	1,123,200	2,454,300	-	5,618,386	8,072,686
GRAND TOTAL		93,957,816	651,380,247	591,096,641	154,241,422	8,163,789	133,830,839	4,019,046	15,466,938	153,316,823

THANK YOU

public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

water & sanitation
Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

cooperative governance
& traditional affairs
Department:
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA

public works
& infrastructure
Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SALGA
Inspiring service delivery

Eskom

ESK - 17

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Enquiry : Jan Hattingh
Telephone : 012 315 5009
Email : Jan.Hattingh@treasury.gov.za

Mr Jabu Mabuza
Acting Chief Executive Officer
Eskom Holdings SOC Ltd
P O Box 1091
JOHANNESBURG
2001

Dear Mr Mabuza

PROPOSAL FOR THE RESTRUCTURE OF DEBT OWED TO ESKOM BY MUNICIPALITIES

The National Treasury has been working closely with the team from Eskom on matters under the auspices of the Inter-Ministerial Task Team (IMTT) for Electricity and Water. As you may be aware, the IMTT chaired by the Minister of Cooperative Governance and Traditional Affairs (CoGTA) intends to present Cabinet with the detailed implementation plan based on the IMTT recommendations previously presented to them. As a result of this process, the National Treasury has been tasked to negotiate with Eskom the possibility of restructuring debt owed to them by municipalities. The National Treasury is fully aware of the plight facing Eskom's financial sustainability but, equally so, the National Treasury is concerned regarding the similar predicament facing municipalities and their ability to deliver services in a consistent and secure manner to citizens.

During the last engagement between Eskom and National Treasury, Eskom officials made a presentation of proposals for consideration by National Treasury. Below is the National Treasury responses to the proposals:

a. Eskom would prefer that the top 20 defaulting municipalities' finances be placed under direct oversight by National Treasury (a sort of "micro-management");

b. National Treasury to closely monitor the balance of the top 75 defaulters to ensure financial controls are in place, budgets are fully funded and payment arrangements are adhered to;

The National Treasury is working closely with provincial treasuries and have identified a group of municipalities that will receive full attention from team finance (National and Provincial Treasuries). Eskom's list of the top 75 defaulters may be part of this list of municipalities. This means that these identified municipalities will have stronger monitoring and oversight imposed on them. Robust analysis will be conducted on their reports (quarterly) and budgets (annual and adjustments budgets) with firm recommendations for implementation. Expenditure management will be a priority which includes payments to creditors. Furthermore, revenue initiatives underpinned by processes and procedures within the value chain will be critical. The most recent

enhancement of the Strategy to Address Municipal Performance Failures seeks to articulate the process necessary to manage most of the municipalities in questions.

c. That National Treasury invokes Section 216(2) of the Constitution on defaulting municipalities and then pay Eskom from the allocations withheld as a preferred creditor;

Invoking section 216(2) of the Constitution is a last punitive measure that may be implemented in the chain of other processes. The National Treasury will not invoke section 216 with the intention of making payment to a creditor directly and considers this action as unconstitutional.

d. Eskom suggested that consideration should be given to pay them from funds returned to the fiscus at the end of the financial year;

Funds returned to the national fiscus cannot be diverted to pay Eskom. The returned funds assist government with reducing the national deficit and secondly unspent funds can only be appropriated by Parliament. Attempts to use these funds otherwise may result in contravening Treasury Regulations and perceived unforeseen and unavoidable expenditure.

e. National Government must hold municipalities accountable and ensure that measures are in place to monitor payment of current accounts on a regular basis (monthly);

It is accurate that municipalities must be held accountable and efforts by government to remedy the situation is covered in the response for point "a" and "b" above.

f. National Treasury and DCoG through the IMTT process must expedite the Culture of Payment Campaign to give impetus to the President's call to pay for services; and

The campaign is one of the recommendations that National Treasury supports and it will be presented to Cabinet as part of the package for approval.

g. Consideration should be given for large customers to make direct payment to Eskom.

This will be against the spirit of the legal framework for local government.

Although some of the proposals above may seem as worthy solutions, practically they may not be possible to implement. I agree that in many instances the municipalities have transgressed but unless some sort of relief is offered to them they will not recover. With this in mind, the National Treasury and Provincial Treasuries are committed to intensifiying support and interventions in these municipalities by ensuring that budgets are funded with the inclusion of payments of current invoices and influencing affordable payment of arrears debt entered into as well as stronger supervision over the adherence thereof. Therefore, ring-fencing the arrear debt will assist in containing its growth (interest and capital). Where it is absolutely evident that the municipality will not be in a position to honour its obligation, arrear debt write-off could be an option as an incentive base with a pre-requisite condition that the current account is paid consistently. The cost of the write-off will be negotiated between Eskom and the National Treasury. We have revised the Strategy to address Municipal Performance Failures. The strategy articulates the critical success factors that are essential and interrelated for success. In addition, the National Treasury is currently instituting firmer measures on financial monitoring within the legislative envelop together with smarter methods to analyse and assess budgets of municipalities. For example, the assessments will ensure that budgets are funded taking into consideration all financial commitments (such as payment of current accounts) as well as affordable payments arrangements.

As described earlier, Team Finance have just completed an exercise that involved profiling each municipality with the aim firstly to inform the new political leadership for finance of the municipal landscape; secondly to identify the group of municipalities that Team Finance will focus their attention on; and lastly devise a support plan to address financial challenges by realigning resources available.

Furthermore, the National Treasury has identified a basket of tools available to guide municipalities in the right direction. Amongst the tools are those provisions that encourage a supportive role, an enforcement or intervention role and a punitive recourse role such as the invoking of section 216(2) of the Constitution. National Treasury is ready and geared up to invoke the punitive option if all else fails. National Treasury is encouraging that when a decision to invoke section 139 of the Constitution or MFMA for that matter is taken, that the intervention is invoked for the correct reason, with more accuracy and consistency for success. In this process, the Office of the Accountant-General will be consulted on the matter of the debt write-off and the termination of interest on arrear debt since they are the custodians of the PFMA.

In a constrained economic environment, I believe that our working together will resolve challenges and lessens the burden.

Please give consideration of our request and I look forward to a prompt and favourable response.

Yours sincerely

Mr Mabuza, we will have to meet as soon as possible to find solutions to these issues
Dondo

DONDO MOGAJANE
DIRECTOR-GENERAL
DATE: 03/10/2019

SALGA/Eskom Task Team Joint Feedback

Eskom

SALGA
Inspiring service delivery

Progress feedback to IMTT on Development of a Framework Agreement by the SALGA/Eskom Task Team

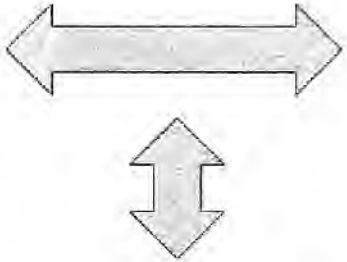
06 February 2019

Note: Feedback is from the Task Team and not official SALGA or Eskom feedback

The SALGA/ESKOM Task Team is very active

- The Task Team was established on request of the DPE Minister after a meeting with SALGA leadership on 04 July 2018
- The first meeting was held on the 13th of July 2018
- There have been 7 follow up meetings/workshops
- Robust debates are taking place and a common understanding is developing around the shared industry challenges
- There is a growing healthy working relationship between the 2 teams
- Responsibility for chairing the meetings are alternated between SALGA and ESKOM
- Eskom is providing project support

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SALGA
Inspiring service delivery



Eskom

Common Industry Issues

The Task Team agreed on some key industry issues that will require collaboration

Eskom

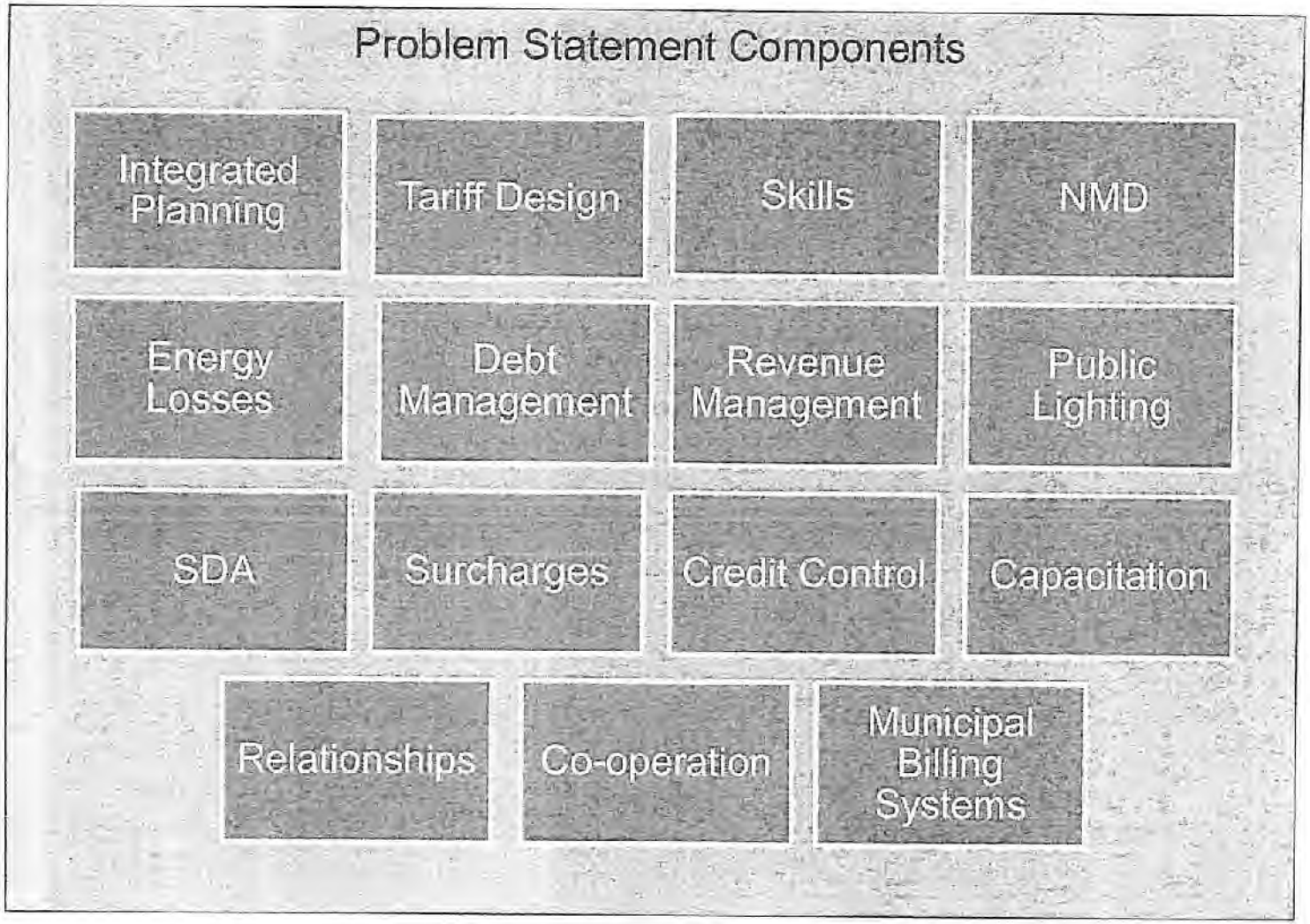
SALGA
Inspiring service delivery

- Integrated Planning
- Tariff Design
- Skills
- NMD
- Energy Losses
- Debt Management
- Revenue Management
- Public Lighting
- SDA
- Surcharges
- Credit Control
- Capacitation
- Relationships
- Co-operation
- Municipal Billing Systems

Problem statements were developed for all the identified issues to build a common understanding from the different viewpoints, end result expected being an implementable action plan

Eskom

SALGA
Inspiring service delivery



Understanding the problem allowed us to synthesize the issues.

Eskom

SALGA
Inspiring service delivery

A strategy needs to be developed for capacity building as this is a major contributor to Ineffective Revenue collection in the municipal space

Integrated Planning needs to be strengthened

Capacity Building +

+ Integrated Planning and Reporting

+ Co-operative Agreement (SDA)

Complex challenge with many contributing factors and no quick and easy fixes

An agreement needs to consider all the challenges and the legislative landscape of Eskom and the municipalities and should be cooperative in nature



Improving Joint Service Delivery Efficacy

Ineffective Revenue Collection +

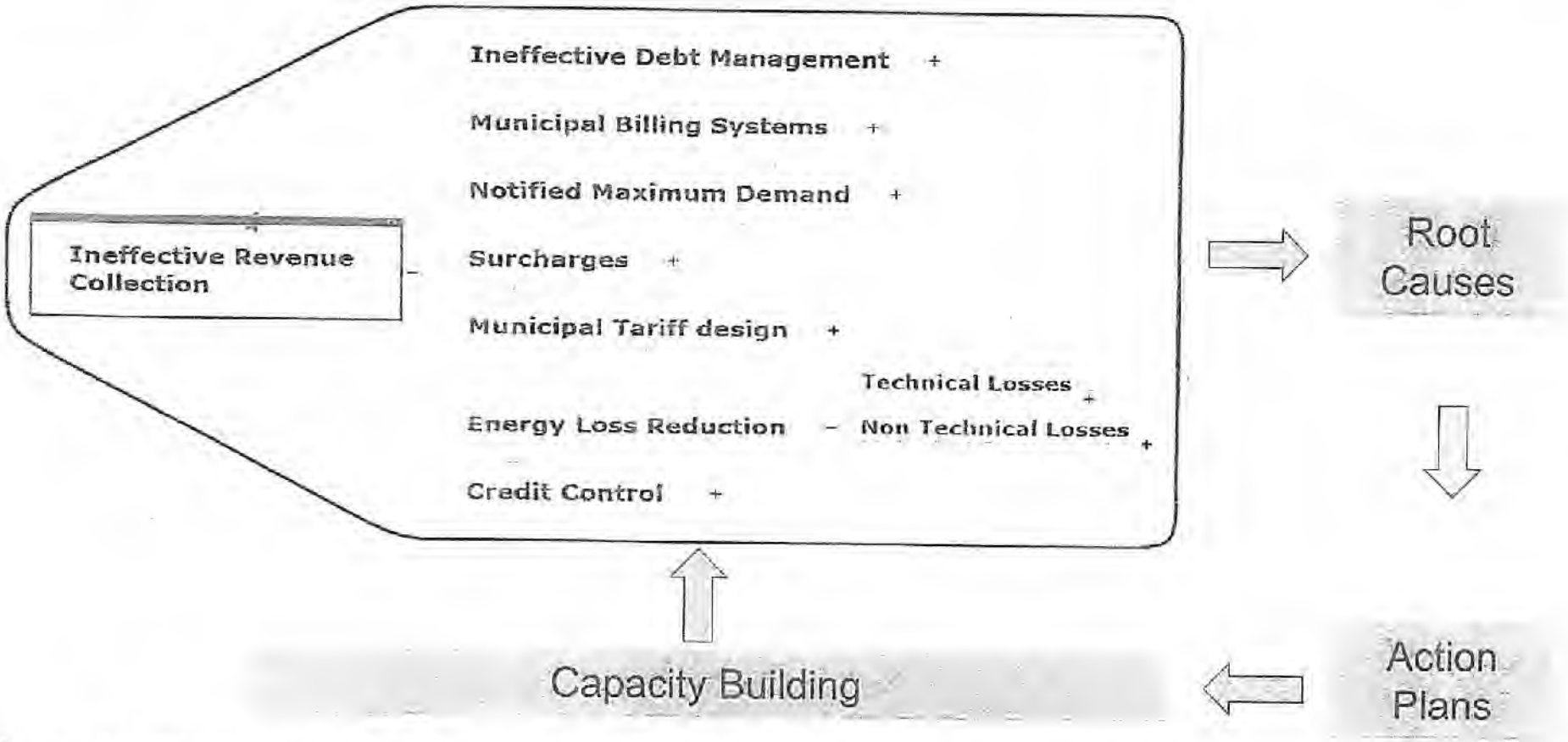
+ Public Lighting

The good relationship between Eskom and most municipalities need to be extended to all municipalities

A policy for Public Lighting needs to developed and enabled

Relationship between Eskom and Municipalities +

A number of factors contribute to Ineffective Revenue Collection and there are no easy and quick fixes



- Root causes have been identified but require further analysis
- Action plans will follow once root cause analysis is complete
- Capacity building will be required towards all the factors. Thus-far identified Eskom Learning Academy and on job training through MoU's

The Robust Journey to a Draft Framework Agreement

Eskom

SALGA
Inspiring service delivery

The establishment of the Task team

Identification of Industry issues and building a common understanding – end result being an implementable action plan to turnaround the challenges

Understanding Eskom challenges as a separate regulated national entity, with different legislation Vs individual agreements with municipalities

Joint proposal on the guiding principles and elements of a SDA

Draft SDA Framework produced for further influencing.

The draft Framework at this point is the output of the Task Team and may not reflect the official (Approved) positions of the parties as this still needs to go through the respective internal governance mechanisms and requires legal scrutiny

The Draft Framework at a glance

Purpose of the agreement is to formalize or regularise the existing situation where Eskom operates under its NERSA license for its own account and risk within a municipal area

Operating Elements

Definitions of terminology in the contract	Recordal of the existing legal rights of the municipality and Eskom within the demarcated area (Eskom Area of Supply) of the municipality	• General obligations towards the service • Standardised application of Operating Elements across all municipalities • Quality of supply and service • **Tariff setting within the contract area** • Electrification • **Public Lighting** • **Credit control on behalf of the municipality** • **Surcharges** • Free Basic Electricity • Co-operation and planning • Monitoring • Reporting	Legal clauses

The operating elements in **bold might be possible but** subject to decisions and agreement on development, review or amendments of policies and practice including possible legislative changes. This is referenced as such in the framework. ESKOM and SALGA will partner in finding solutions and practical approaches. Once agreed these will filter into individual agreements.

Salient content of the Draft Agreement

Eskom

SALGA
Inspiring service delivery

SDA Framework

Section	Content
Recordal	• Recognize Municipal Executive Authority under the Constitution • Recognize Eskom's existing role and position in terms of ERA • Framework formalises the **existing** operational situation
Nature of agreement	• Parties record that Eskom provides electricity under its own licence and regulatory provisions for own account and own risk. • Municipality is the service authority under existing legislation
Legislation that applies to Eskom	• Eskom obligations to this agreement is subject to legislation that governs Eskom
Duration	• 5 years or earlier on agreement
Operating Elements	
- Obligations	**Eskom** • Eskom must have a licence • Comply with its own regulatory provisions and national policy • Not do anything that would prejudice Municipal compliance towards its own legal obligations **Municipality** • Provide enabling support to Eskom in discharging licence obligations • Not enforce or execute any action that jeopardises Eskom and the state • Not impinge on NERSA's regulated authority over Eskom

Salient content of the Draft Agreement

Eskom

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Framework

Section	Content
Operating Elements	
- Standardised application	• Eskom as a national company will have a standard "Agreement" that applies to all municipalities
- Quality of Supply	• Eskom provides electricity in line with Licence and regulatory requirements • Eskom will provide best fit compliance reporting to the municipality
- Tariff Setting	• It is accepted that Eskom has its own national tariffs subject to NERSA determination • Eskom willing to support municipalities with tariff setting and design
- Subsidised electrification	• Eskom provides electrification under governments electrification program
- Public Lighting	• Eskom will provide public lighting within its own area **subject to the agreement of national policy on new and existing areas. (DOE was tasked to develop)**

Salient content of the Draft Agreement

Eskom

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Framework

Section	Content
Operating Elements	
- Credit Control on behalf of the municipality	• This agreement at this time **will not deal with actual mechanisms** until agreement has been reached on how and what is possible and what isnt • Both parties agree that Eskom or Municipalities must not be in a worse of position in implementing credit control • Must be possible given Eskom's existing systems. Proposal is Cost for Enhancements of the systems to be paid by the municipality

- Surcharges	• Eskom in the current setup is not able to raise surcharges on behalf of the municipality
	• Eskom and SALGA will partner in defining national policy and practice to make this possible
	  • It must be legislatively possible
	  • Proposal is a single rate determined by the Minister of Finance for all municipalities to avoid administrative burden/chaos
	  • Municipality carries risk of non payment
	  • Eskom to be reimbursed for any system changes
	  • Eskom to be paid for costs incurred

Salient content of the Draft Agreement

Eskom

SALGA
Inspiring service delivery

Framework

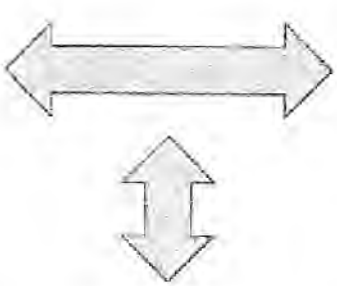
Section	Content
Operating Elements	
- Free Basic Electricity	• Recorded that this is provided under separate agreement
- Cooperation and Planning	• Eskom to be recognised by municipality as key stakeholder in IDP development • Eskom to fulfil the role of key stakeholder
- Monitoring	• Municipality acknowledges that Eskom is monitored under its own licence • Municipality will not undertake any independent monitoring

- Reporting	• Eskom acknowledges:
	  • It provides services within a municipal area
	  • That it needs to provide the municipality with information on its own activities to allow the municipality to account for integrated service delivery within the municipal demarcated area.
	• Eskom can only provide best fit reporting as systems and Eskom boundaries do not necessarily align with municipal areas

Way Forward for the Task Team.... Key steps

- The draft framework needs to be influenced and subjected to the internal governance mechanisms of the parties together with legal oversight
- The identified industry issues need to be prioritised
- Root cause analysis to continue as per the prioritisation
- Prioritised action plans need to be drawn up that are practical considering the resource requirements and severity of the challenge
- Resourcing for the implementation of action plans need to be planned with possible assistance from National Government.

SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
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Eskom

Common Industry Issues

Next Step

Internal Governance Processes to be followed where the Draft Agreement will be tabled for Influence and/or approval



Eskom

SALGA
Inspiring service delivery

Thank you

ESK - 19

national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Enquiry : Jan Hattingh
Telephone : 012 315 5009
Email : Jan.Hattingh@treasury.gov.za

Mr Jabu Mabuza
Acting Chief Executive Officer
Eskom Holdings SOC Ltd
P O Box 1091
JOHANNESBURG
2001

Dear Mr Mabuza

PROPOSAL FOR THE RESTRUCTURE OF DEBT OWED TO ESKOM BY MUNICIPALITIES

The National Treasury has been working closely with the team from Eskom on matters under the auspices of the Inter-Ministerial Task Team (IMTT) for Electricity and Water. As you may be aware, the IMTT chaired by the Minister of Cooperative Governance and Traditional Affairs (CoGTA) intends to present Cabinet with the detailed implementation plan based on the IMTT recommendations previously presented to them. As a result of this process, the National Treasury has been tasked to negotiate with Eskom the possibility of restructuring debt owed to them by municipalities. The National Treasury is fully aware of the plight facing Eskom's financial sustainability but, equally so, the National Treasury is concerned regarding the similar predicament facing municipalities and their ability to deliver services in a consistent and secure manner to citizens.

During the last engagement between Eskom and National Treasury, Eskom officials made a presentation of proposals for consideration by National Treasury. Below is the National Treasury responses to the proposals:

a. Eskom would prefer that the top 20 defaulting municipalities' finances be placed under direct oversight by National Treasury (a sort of "micro-management");

b. National Treasury to closely monitor the balance of the top 75 defaulters to ensure financial controls are in place, budgets are fully funded and payment arrangements are adhered to;

The National Treasury is working closely with provincial treasuries and have identified a group of municipalities that will receive full attention from team finance (National and Provincial Treasuries). Eskom's list of the top 75 defaulters may be part of this list of municipalities. This means that these identified municipalities will have stronger monitoring and oversight imposed on them. Robust analysis will be conducted on their reports (quarterly) and budgets (annual and adjustments budgets) with firm recommendations for implementation. Expenditure management will be a priority which includes payments to creditors. Furthermore, revenue initiatives underpinned by processes and procedures within the value chain will be critical. The most recent

enhancement of the Strategy to Address Municipal Performance Failures seeks to articulate the process necessary to manage most of the municipalities in questions.

c. That National Treasury invokes Section 216(2) of the Constitution on defaulting municipalities and then pay Eskom from the allocations withheld as a preferred creditor;

Invoking section 216(2) of the Constitution is a last punitive measure that may be implemented in the chain of other processes. The National Treasury will not invoke section 216 with the intention of making payment to a creditor directly and considers this action as unconstitutional.

d. Eskom suggested that consideration should be given to pay them from funds returned to the fiscus at the end of the financial year;

Funds returned to the national fiscus cannot be diverted to pay Eskom. The returned funds assist government with reducing the national deficit and secondly unspent funds can only be appropriated by Parliament. Attempts to use these funds otherwise may result in contravening Treasury Regulations and perceived unforeseen and unavoidable expenditure.

e. National Government must hold municipalities accountable and ensure that measures are in place to monitor payment of current accounts on a regular basis (monthly);

It is accurate that municipalities must be held accountable and efforts by government to remedy the situation is covered in the response for point "a" and "b" above.

f. National Treasury and DCoG through the IMTT process must expedite the Culture of Payment Campaign to give impetus to the President's call to pay for services; and

The campaign is one of the recommendations that National Treasury supports and it will be presented to Cabinet as part of the package for approval.

g. Consideration should be given for large customers to make direct payment to Eskom.

This will be against the spirit of the legal framework for local government.

Although some of the proposals above may seem as worthy solutions, practically they may not be possible to implement. I agree that in many instances the municipalities have transgressed but unless some sort of relief is offered to them they will not recover. With this in mind, the National Treasury and Provincial Treasuries are committed to intensifiying support and interventions in these municipalities by ensuring that budgets are funded with the inclusion of payments of current invoices and influencing affordable payment of arrears debt entered into as well as stronger supervision over the adherence thereof. Therefore, ring-fencing the arrear debt will assist in containing its growth (interest and capital). Where it is absolutely evident that the municipality will not be in a position to honour its obligation, arrear debt write-off could be an option as an incentive base with a pre-requisite condition that the current account is paid consistently. The cost of the write-off will be negotiated between Eskom and the National Treasury. We have revised the Strategy to address Municipal Performance Failures. The strategy articulates the critical success factors that are essential and interrelated for success. In addition, the National Treasury is currently instituting firmer measures on financial monitoring within the legislative envelop together with smarter methods to analyse and assess budgets of municipalities. For example, the assessments will ensure that budgets are funded taking into consideration all financial commitments (such as payment of current accounts) as well as affordable payments arrangements.

As described earlier, Team Finance have just completed an exercise that involved profiling each municipality with the aim firstly to inform the new political leadership for finance of the municipal landscape; secondly to identify the group of municipalities that Team Finance will focus their attention on; and lastly devise a support plan to address financial challenges by realigning resources available.

Furthermore, the National Treasury has identified a basket of tools available to guide municipalities in the right direction. Amongst the tools are those provisions that encourage a supportive role, an enforcement or intervention role and a punitive recourse role such as the invoking of section 216(2) of the Constitution. National Treasury is ready and geared up to invoke the punitive option if all else fails. National Treasury is encouraging that when a decision to invoke section 139 of the Constitution or MFMA for that matter is taken, that the intervention is invoked for the correct reason, with more accuracy and consistency for success. In this process, the Office of the Accountant-General will be consulted on the matter of the debt write-off and the termination of interest on arrear debt since they are the custodians of the PFMA.

In a constrained economic environment, I believe that our working together will resolve challenges and lessens the burden.

Please give consideration of our request and I look forward to a prompt and favourable response.

Yours sincerely

Mr Mabuza, we will have to meet as soon as possible to find solutions to these issues
Dondo

DONDO MOGAJANE
DIRECTOR-GENERAL
DATE: 03/10/2019

Eskom

ESK-20

Mr Dondo Mogajane
Director-General
National Treasury – Republic of South Africa
Private Bag X115
PRETORIA
001

Dear Mr Mogajane

RE: PROPOSAL FOR THE RESTRUCTURE OF DEBT OWED TO ESKOM BY MUNICIPALITIES

This letter serves to acknowledge receipt of your letter dated 3 October 2019 and to thank you for the proposal.

We note your response about National Treasury limitations in terms of our laws regarding implementing some of the proposals we made to your officials. However, we are encouraged by your proposal on some of the activities that National Treasury can assist us with. Some of the activities we identified in your letter in this regard include: 1. National Treasury ensuring municipalities' budgets are funded and current accounts are provided for; 2. A stronger supervision of municipalities to adhere to budgets; 3. Ring-fencing of arrear debt in order to contain its growth; 4. Possible debt write-offs subject to identified performance conditions; 5. Possible National Treasury contribution to the cost of write-offs; 6. Identification of municipalities for National Treasury focus and attention; 7. Devising of a support plan to address financial challenges and realigning of resources; 8. Enforcement of compliance and possible invoking of section21; 9. A PFMA clearance with regards to the write-off and interest suppression. We believe these proposals will go a long way in resolving some of our debt challenges with the municipalities.

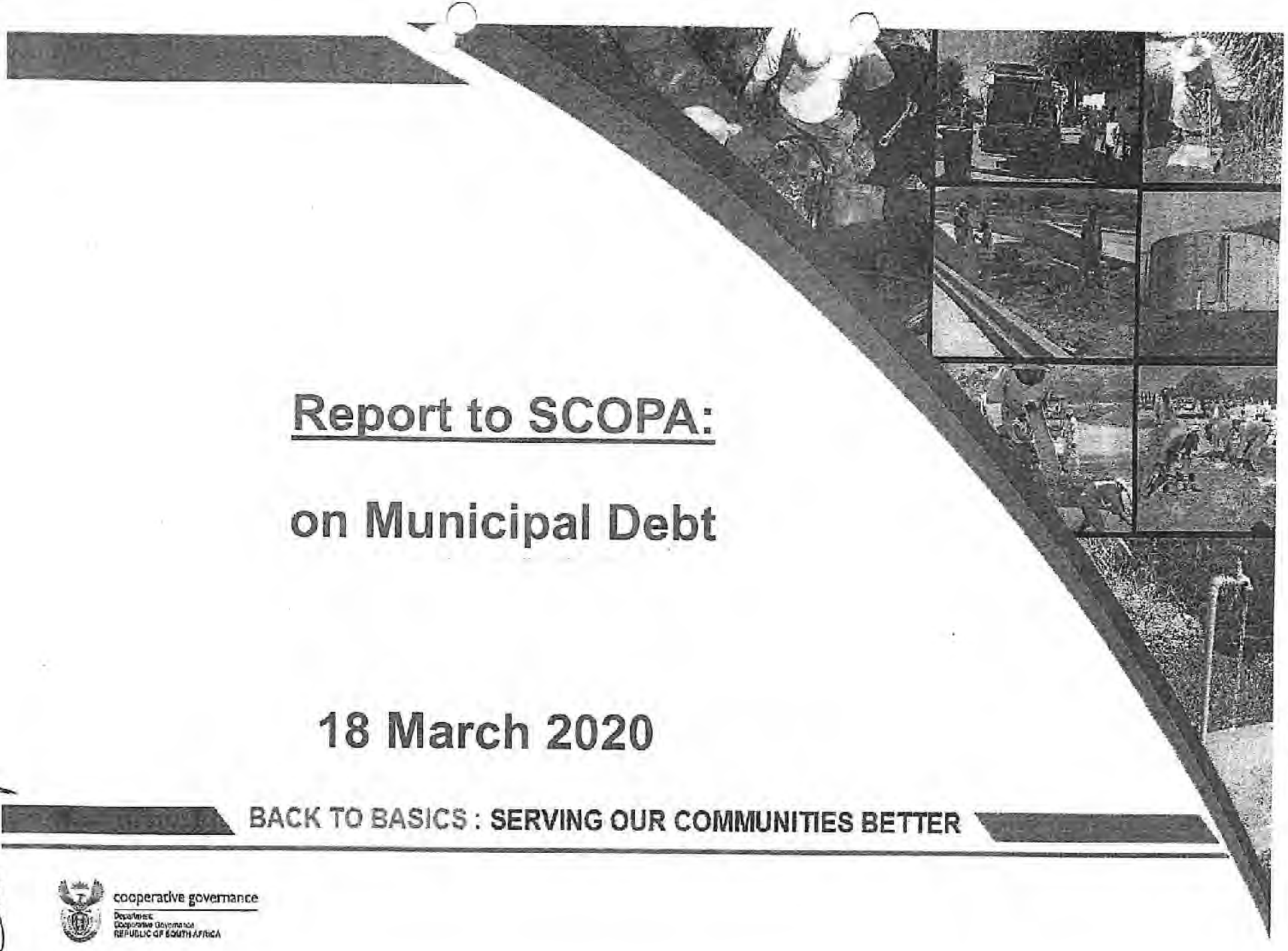
I accept your invitation for a meeting to finalise the proposals. In the meantime I request that our respective officials unpack and refine the above activities before our meeting. I will direct Eskom officials to start the process of engagement with National Treasury officials as soon as possible.

I welcome your constructive intervention in this regard and I am looking forward to working with you to speedily resolve these challenges.

Yours sincerely

Jabu Mabuza
ACTING GROUP CHIEF EXECUTIVE
Date:

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Tel +27 11 800 4585 www.eskom.co.za
Eskom Holdings SOC Ltd Reg No 2002/015527/30



Report to SCOPA:

on Municipal Debt

18 March 2020

BACK TO BASICS : SERVING OUR COMMUNITIES BETTER

cooperative governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

Ag 8

12-52

Purpose

To update the Standing Committee on Public Accounts (SCOPA) on matters relating to municipal debt.

Presentation Outline

1. **Municipal Debt:**
   - Broad Financial Observations as at 31 December 2019
   - Debt Owed to Municipalities - Outstanding debtors as at 31 December 2019
   - Top 20 Municipalities - Debt Owed to Eskom as at the end of December 2019
   - Debt Status: January 2020 Debt owed to Eskom by Municipalities and Other Government Departments
     - **Eskom Key message**
     - **Eskom Efforts to stop debt from growing**
   - Debt Owed to Water Boards by Municipalities
     - Underlying Problems / Root Causes on Municipal, ESKOM and Water Sector Payment Challenges
   - Escalation of Organs of State Debt Owed to Municipalities between 2014 and 2019
   - Organs of State Debt Owed to Municipalities as at 31 December 2019
     - **Root Causes of the Escalating debt**
     - **Progress on Addressing Root Causes**
     - **Interventions Required**
2. **Work Done**
   - Payment Campaign
   - Installation of Prepaid/Smart Meters
   - Debt Restructuring
   - Defaulting Municipalities
   - Active Partnering Between Stakeholders
3. **Multidisciplinary Team**
4. **Recommendations**

1. MUNICIPAL DEBT

Broad Financial Observations as at 31 December 2019

Debtors age analysis R181.5bn	• Government debt – 7.3%, Household debt – 68.5% • 0 – 90 days debt – R34.3bn
Cash position (R39.6bn)	• 123 municipalities have negative cash position
Creditors age analysis R47.5bn	• Creditors longer than 90 days outstanding: Free State 85.2%, Northern Cape 84.5 and Mpumalanga 82.8%.

Debt Owed to Municipalities - Outstanding Debtors as at 31 December 2019

Receivables less than 90 days (collectable)

Recievable older than 90 days (uncollectable)

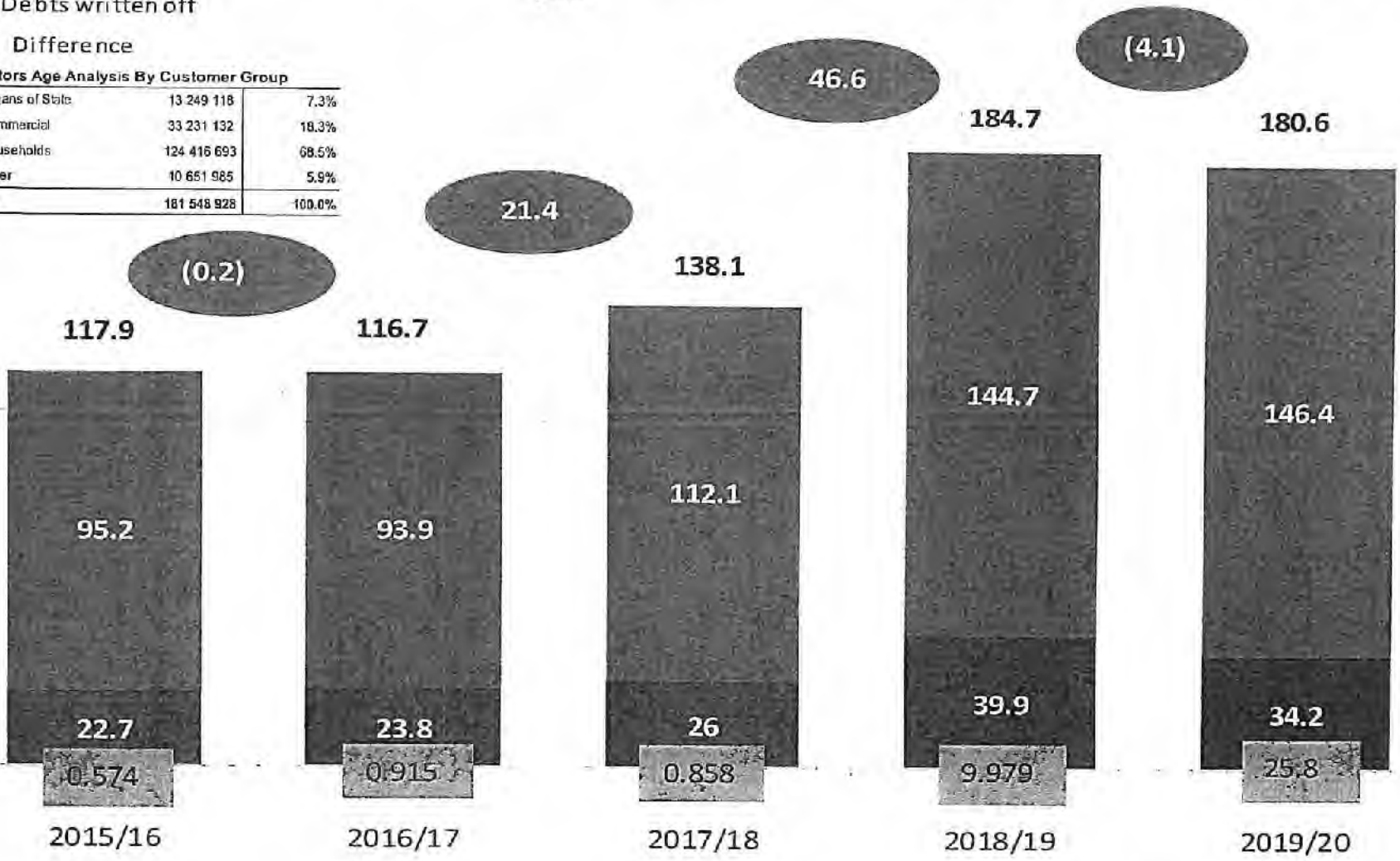
Debts written off

Difference

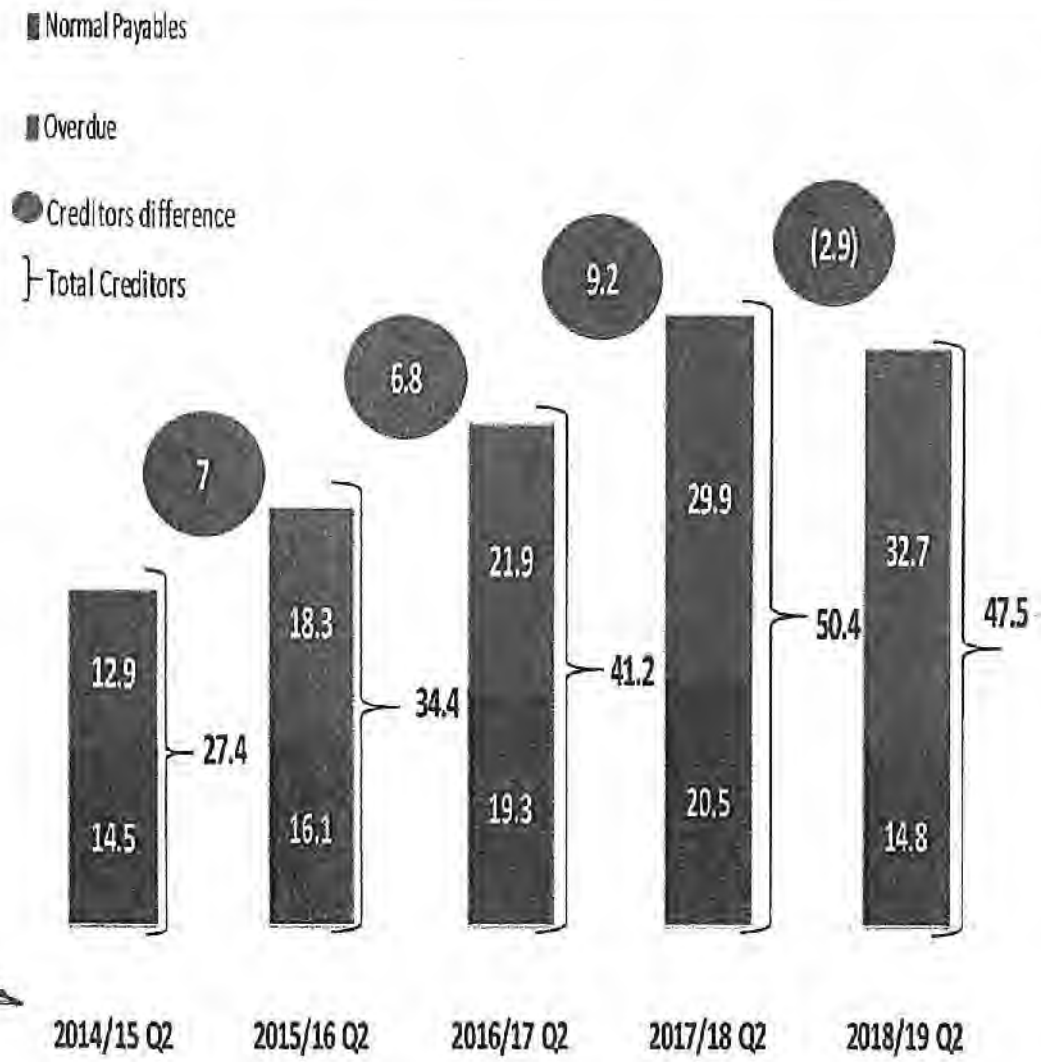
Aggregate municipal consumer debts is R180.6 billion (R4.1 billion less when compared to R184.7 billion reported in the same quarter of the previous financial year.

Debtors Age Analysis By Customer Group

Organs of State	13 249 118	7.3%
Commercial	33 231 132	18.3%
Households	124 416 693	68.5%
Other	10 651 985	5.9%
Total	181 548 928	100.0%



Creditor Analysis as at 31 December 2019



- R47.5 billion is owed by municipalities as at 31 December 2019 (R50.4 billion reported in the same quarter in 2018/19).
- Cape Town reported a negative R371.5 million for the period 0-30 days thus distorting provincial figures.
- Highest percentage of outstanding creditors greater than 90 days:
  - Northern Cape 84.5 per cent and Mpumalanga at 82.8 per cent.
  - The lowest is Gauteng at 23.2 per cent



Top 20 Municipalities - Debt Owed to Eskom as at the end of December 2019

INFORMATION REQUIRED IN TERMS OF SECTION 41 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 2003

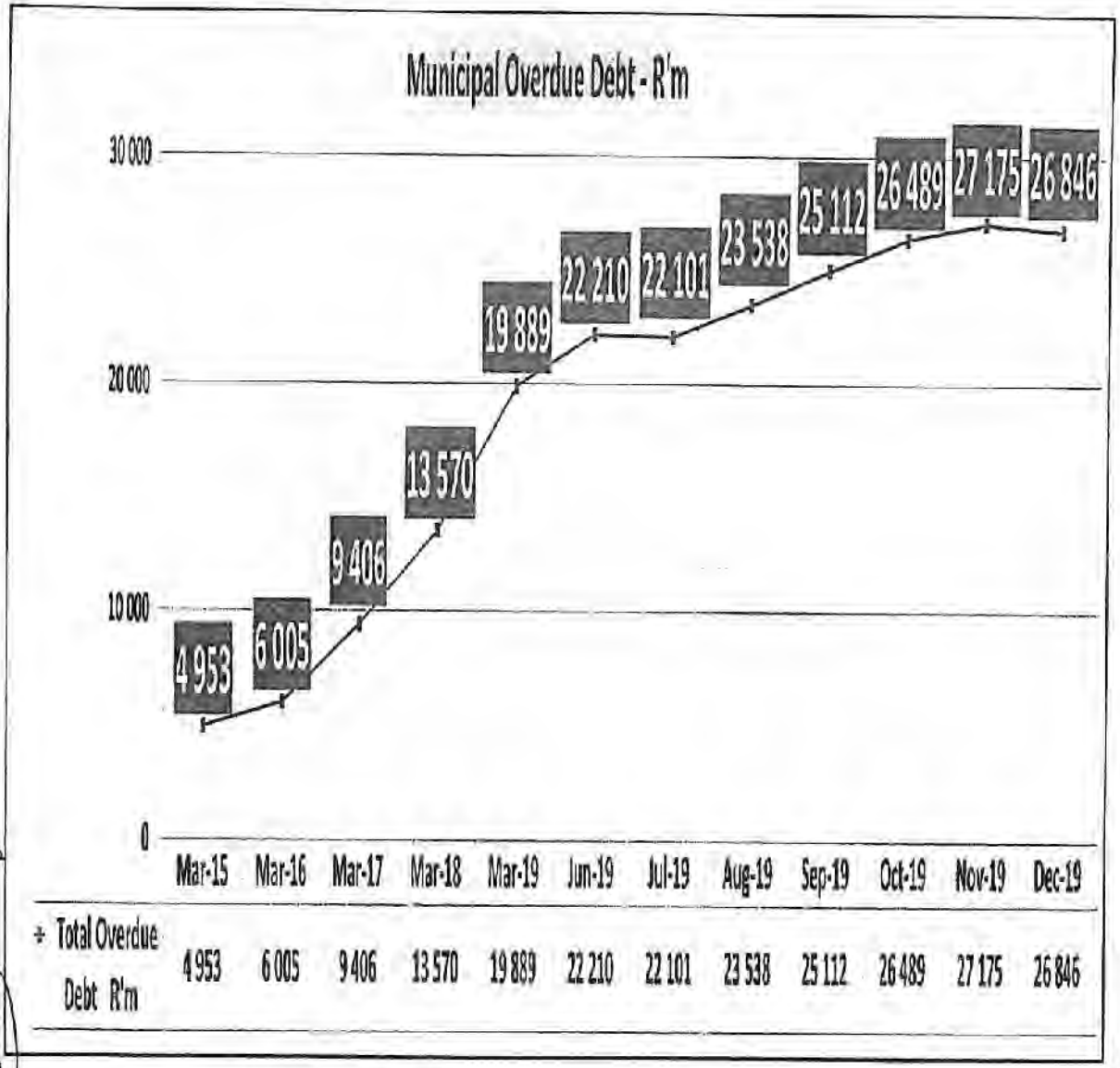
REPORTING MONTH : December-2019

Section 41(2)(b) : Amounts owing and the age profile of outstanding amounts relating to Bulk Electricity Sales

	Name of Municipality	Current	16 - 30 days	31 - 60 days	61 - 90 days	90 days+	Total	Arrears
1	MALUTI A PHOFUNG LOCAL MUNICIP	111 052 027	400 211	101 315 862	115 489 872	4 569 280 305	4 897 538 277	4 786 486 250
2	EMALAHLENI LOCAL MUNICIPALITY	134 545 525	0	105 038 098	123 633 821	3 221 567 826	3 584 785 271	3 450 239 746
3	MATJHABENG LOCAL MUNICIPALITY	138 804 826	154 017	69 452 389	630 319	2 762 624 334	2 971 665 885	2 832 861 060
4	EMFULENI LOCAL MUNICIPALITY	330 620 300	53 472	195 887 169	176 732 134	1 418 559 024	2 121 852 100	1 791 231 800
5	GOVAN MBEKI LOCAL MUNICIPALITY	89 744 490	17 224	67 715 617	79 189 595	1 474 092 429	1 710 759 357	1 621 014 867
6	NGWATHE LOCAL MUNICIPALITY	19 648 950	0	19 446 670	20 320 999	1 160 153 887	1 219 570 507	1 199 921 557
7	LEKWA LOCAL MUNICIPALITY	38 890 785	0	39 038 854	39 994 034	949 434 603	1 067 358 276	1 028 467 491
8	THABA CHWEU LOCAL MUNICIPALITY	36 797 706	56 149	20 285 439	143 546	655 353 103	712 635 944	675 838 238
9	DITSOBOTLA LOCAL MUNICIPALITY	16 357 433	0	18 302 244	16 704 582	497 509 468	548 873 728	532 516 294
10	MODIMOLLE-MOOKGOPHONG LOCAL	19 595 376	0	21 243 618	19 198 802	483 950 970	543 988 766	524 393 390
11	MERAFONG CITY LOCAL MUNICIPALIT	50 729 494	46 402	27 667 422	18 330 052	303 447 413	400 220 783	349 491 289
12	CITY OF MATLOSANA LOCAL MUNICIP	115 851 477	314 890	62 848 703	57 321 426	193 444 281	429 780 777	313 929 300
13	NALA LOCAL MUNICIPALITY	20 165 873	0	2 231 431	8 301 696	295 723 304	326 422 305	306 256 431
14	NALEDI LOCAL MUNICIPALITY	23 620 677	0	11 670 674	72 477	288 208 750	323 572 578	299 951 901
15	DIHLABENG LOCAL MUNICIPALITY	17 947 498	0	18 330 752	15 360 859	265 034 558	316 673 666	298 726 168
16	NKETOANA LOCAL MUNICIPALITY	15 045 803	0	8 341 659	0	282 914 347	306 301 808	291 256 006
17	MOQHAKA LOCAL MUNICIPALITY	28 841 812	0	24 395 752	0	265 560 082	318 797 646	289 955 834
18	KAI IGARIB LOCAL MUNICIPALITY	8 750 700	0	7 953 505	7 907 432	258 769 817	283 381 454	274 630 754
19	RAND WEST CITY LOCAL MUNICIPALIT	98 810 379	0	3 891 357	82 075 599	181 376 077	366 153 412	267 343 033
20	NEWCASTLE LOCAL MUNICIPALITY	72 960 271	0	39 268 098	137 896	209 395 106	321 761 371	248 801 100
	TOTAL	**1 388 781 404**	**1 042 366**	**864 325 314**	**781 545 142**	**19 736 399 685**	**22 772 093 911**	**21 383 312 507**

Source: Eskom – s41 December 2019

Municipal Debt: Debt Owed to Eskom



	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Total Overdue Debt R'm	4 953	6 005	9 406	13 570	19 889	22 210	22 101	23 538	25 112	26 489	27 175	26 846

- The overdue debt increased from R1.2Bn as at March 2013 to R26.8Bn at end December 2019.
- The debt has grown by R7.0Bn since March 2019
- The Top 10 accounts for 69% of debt and the Top 20 for 80% of debt
- The Top 20 payment levels have dropped from a peak of 91% in March 2016 to 45% in December 2019.
- There are 44 municipalities individually owing over R100m, 75 municipalities individually owing over R10m and 96 municipalities individually owing over R0.5m.

Eskom Efforts to Stop Debt from Growing

- Enforcement of the **Electricity Supply Agreement**
  - 29 Cases in **litigation** preventing Eskom from interrupting municipalities due to non-payment
  - Applications are brought about by Municipalities, 3rd parties or Provincial Government Departments.
  - Whilst cases are in litigation, municipalities take a payment holiday

- **Multiple payment arrangements** are offered to municipalities which are defaulted upon. Eskom views disconnection of supply as a last resort in the interest of the local economies.
- Eskom offer full **suppression of interest on arrears** in the event that a municipality honours the payment agreement until full settlement.

- Eskom offered many **concessions to incentivize payment** and limit debt growth:

  - Reduced the interest rate on arrear debt from prime +5% to prime +2.5%
  - Extending payment days from 15 to 30 days
  - Allocating payments to capital first before interest

Eskom Key Messages

1. Municipal arrear debt levels have reached a high of R27.5billion as at 31 January 2020; The trend since 2007 remains negative.

2. Eskom is taking all lawful steps to recover debt owed by defaulting Municipalities.

3. Interruption of supply not good for the country and the economy, but the current trend cannot continue unabated.

4. Eskom debt collection efforts are met with litigation from 3rd parties and Municipalities thus perpetuating the culture of non-payment.

5. Discussions commenced between Eskom, SALGA, MISA and CoGTA with the aim of Active Partnering to resolve liquidity challenges within municipalities.

6. Total debt owed by government departments, excluding municipalities, is R34 million.

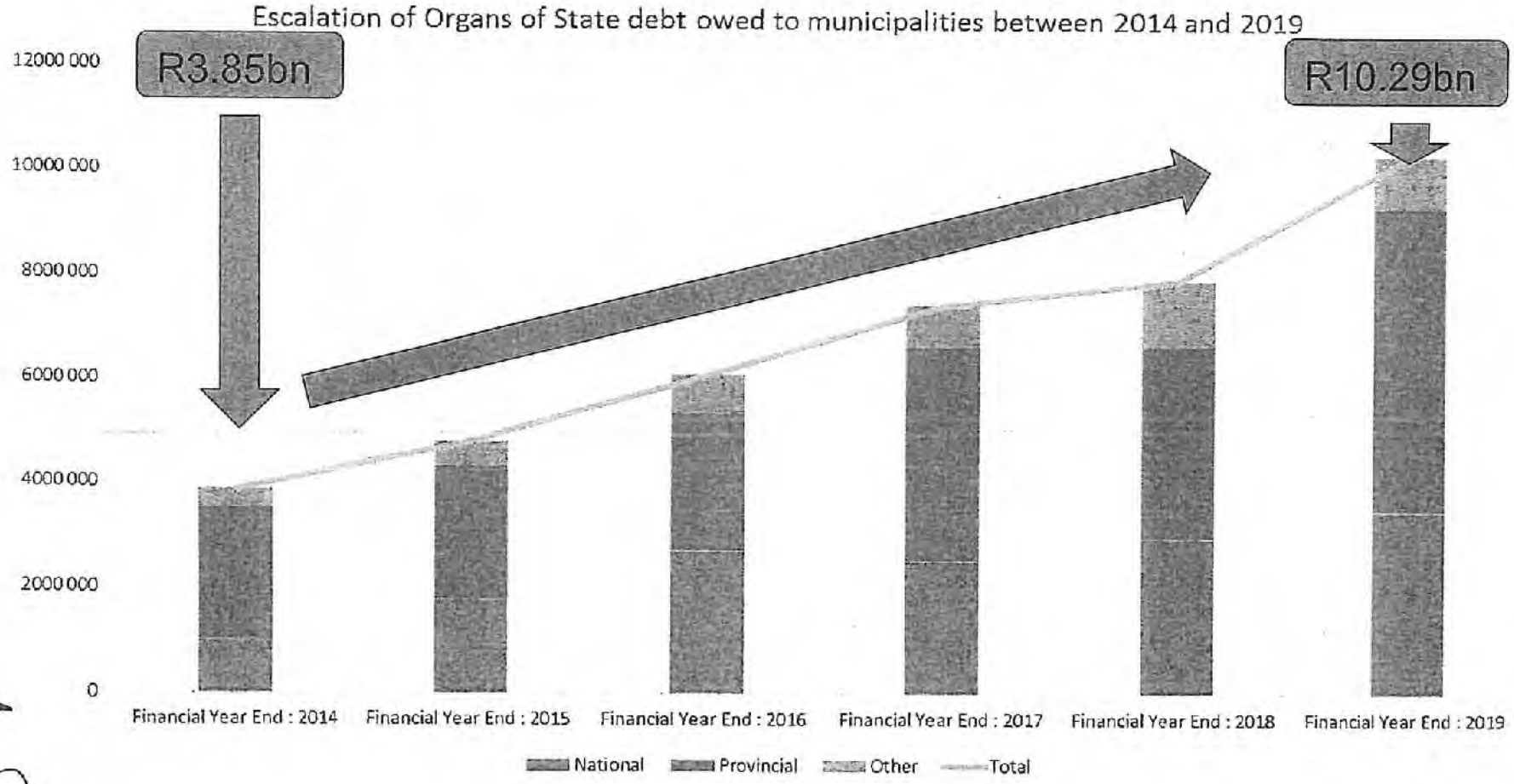
Debt Owed to Water Boards by Municipalities

INFORMATION REQUIRED IN TERMS OF SECTION 41 OF THE
MUNICIPAL FINANCE MANAGEMENT ACT, 2003

REPORTING MONTH : December-2019

Water Board	Current	30 days	60 days	90 days	120 days+	total	Arrears
Magalies	42 523 708	10 761 209	5 517 178	6 046 968	67 262 826	132 111 888	**89 588 180**
Rand Water	1 415 449 512	217 003 880	185 447 353	148 780 635	686 002 824	2 652 684 204	**1 237 234 691**
Pelladrift Water Board (Sedibeng)	237 351	424 398	467 951	359 498	3 879 571	5 368 769	**5 131 418**
Amatola	32 891 324	587 884	1 905 639	276 130	31 275 600	66 936 577	**34 045 253**
Bloem Water	82 244 725	89 102 028	84 450 529	76 198 899	688 927 100	1 020 923 280	**938 678 556**
Rand Water Mpumalanga							
Botshelo Water (Sedibeng)	8 920 106	9 247 109	8 808 157	8 465 440	400 828 253	436 269 065	**427 348 959**
Overberg Water	1 898 931	-	-	-	-	1 898 931	-
Sedibeng Water	72 809 254	82 875 699	91 318 535	77 594 912	3 593 134 934	3 917 733 334	**3 844 924 080**
Muhlathuze	22 452 797	7 811 796	8 443 546	10 883 098	12 035 721	61 626 958	**39 174 161**
Lepelle North Water	56 805 608	20 965 972	24 967 388	29 646 464	362 184 505	494 569 936	**437 764 329**
Umgeni Water	390 267 908	26 596 329	24 799 728	24 464 075	152 033 484	618 161 524	**227 893 616**
Total	**2 126 501 223**	**465 376 303**	**436 126 003**	**382 716 119**	**5 997 564 817**	**9 408 284 465**	**7 281 783 242**

Escalation of Organs of State Debt Owed to Municipalities between 2014 and 2019



Source: NT 2019

Organs of State Debt Owed to Municipalities as at 31 December 2019

Debtors Age Analysis For Organs Of State
Financial Year End : 2020 Period : M06 (Figures in R thousands)

Figures Finalised as at 2020/01/31

Customer Description	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days- 1 Year	Over 1 Year	Total
National: Agriculture, Forestry and Fisheries	142 093	70 757	51 851	136 286	47 069	68 055	175 313	760 891	1 452 314
National: Arts and Culture	801	685	682	27 594	154	154	426	241	30 737
National: Basic Education	11 120	4 510	3 541	3 260	8 791	2 809	19 056	35 811	88 898
National: Communications	143	11	5	1			1	-13	147
National: Cooperative Governance and Traditional Affairs	10	8	8	8	8	7	38	124	212
National: Correctional Services	25 403	14 163	11 750	8 157	7 325	8 376	29 892	102 557	207 623
National: Defence and Military Veterans	13 231	90 051	4 783	1 066	608	516	2 044	10 681	122 982
National: Economic Development									
National: Energy	2 799	1 215	606	321	163	116	642	1 189	7 089
National: Environmental Affairs	197	64	176	52	44	-319	599	463	1 276
National: Government Communication and Information System	536	667	115	65	49	53	120	-227	1 378
National: Health	11 860	5 560	5 324	4 150	4 134	3 936	8 383	29 003	72 349
National: Higher Education and Training	54 543	1 838	447	-4 194	20 348	1 526	2 306	26 974	103 788
National: Home Affairs	66	53	52	49	83	118	263	464	1 148
National: Human Settlements	482	52	16	198	27	24	105	-72	842
National: Independent Police Investigative Directorate									
National: International Relations and Cooperation	255	55				-5		-2	300
National: Justice and Constitutional Development	909	633	364	395	398	371	2 112	1 269	6 452
National: Labour	1 048	520	516	511	506	181	2 152	28 238	33 673
National: Mineral Resources	3	3	3	2	-121	1 300	54	339	1 583
National: National Treasury	-10 506	-5 721	-161	347	-1 301	-3 264	-1 065	-1 352	-27 022
National: Parliament	1	1		1	1				5
National: Performance Monitoring and Evaluation									
National: Police	2 273	3 508	2 447	3 494	8 891	1 679	8 048	29 742	58 082
National: Public Enterprises	10 412	2 663	2 622	1 340	2 224	1 942	12 323	37 896	71 424
National: Public Service and Administration	-262	-1 005	-5 323	842	1 050	5 366	5 154	2 072	8 896
National: Public Works	304 521	130 635	127 711	326 843	104 151	584 218	222 948	1 162 083	2 963 109
National: Rural Development and Land Reform	3 597	332	2 106	2 579	4 014	9 296	11 448	50 037	83 409
National: Science and Technology									
National: Social Development	405	181	163	127	158	129	624	4 757	6 544
National: Sport and Recreation South Africa	1 031	14	17	27	31	20		157	1 297
National: Statistics South Africa	-234	18	16	12	12	12	79	521	437
National: The Presidency									
National: Tourism									
National: Trade and Industry	247	98	1 276	2	2	59	11	973	2 668
National: Transport	1 111	1 079	1 070	1 503	965	998	4 910	37 836	49 475
National: Water Affairs	753	595	403	403	487	442	2 066	39 403	44 553
National: Women, Children and People with Disabilities							1	4	6
	578 845	**322 256**	**212 675**	**515 448**	**210 263**	**689 116**	**508 052**	**2 359 019**	**5 395 665**

Organs of State Debt Owed to Municipalities as at 31 December 2019

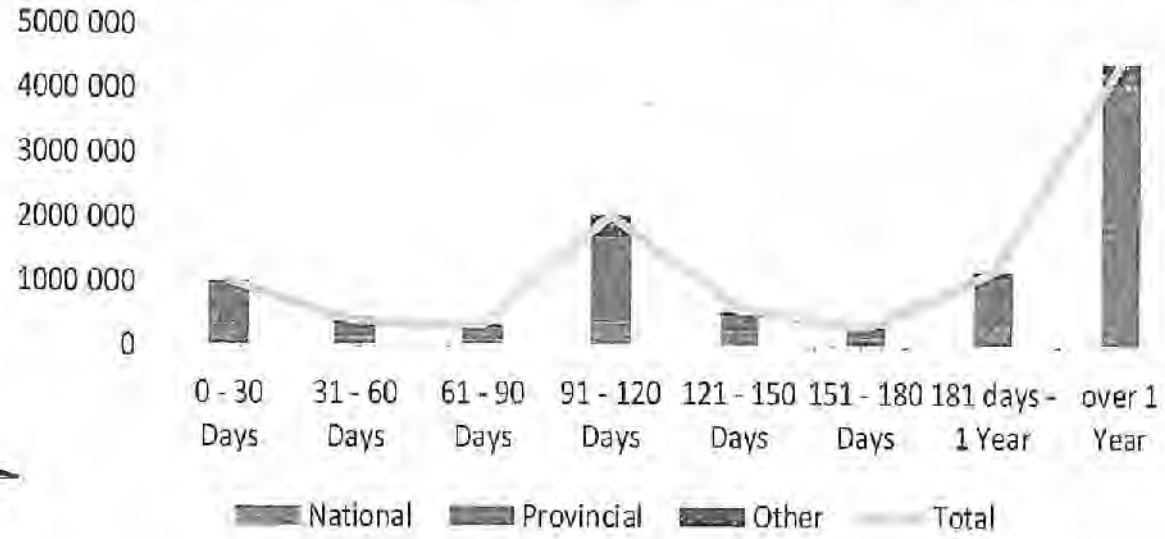
Customer Description	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days- 1 Year	Over 1 Year	Total
Provincial: Agriculture	13 024	8 181	12 176	8 598	5 028	17 254	24 023	209 656	297 947
Provincial: Education	128 972	45 462	56 532	71 151	40 955	38 644	135 528	626 449	1 143 694
Provincial: Health	90 735	41 800	36 720	45 049	27 928	16 818	72 158	215 424	547 631
Provincial: Housing and Local Government	16 485	9 095	6 158	44 868	5 394	7 258	29 075	368 486	488 819
Provincial: Office of the Premier	-1 444	-5 111	-36	63	24	25	4 285	27 011	24 818
Provincial: Other Departments	96 766	49 957	41 080	14 266	31 133	17 334	41 127	370 010	661 692
Provincial: Public Works, Roads and Transport	289 843	207 870	117 782	1 129 681	127 087	66 529	313 218	989 430	3 241 441
Provincial: Social Development	1 322	1 056	599	1 318	434	278	1 774	3 126	9 905
Provincial: Sport, Arts and Culture	876	403	1 785	2 773	88	-168	147	994	6 897
	638 580	358 712	272 795	1 317 587	238 070	163 980	621 334	2 811 586	6 422 644
Other									
Public Institutions: Constitutional	1 132	267	275	239	292	986	1 047	6 039	10 276
Public Institutions: Major Public Entities	1 629	707	153	183	296	182	917	1 421	5 488
Public Institutions: Other: National Government Business Enterprises	664	143	109	172	300	121	357	634	2 500
Public Institutions: Other: National Public Entities	545	227	322	331	319	317	1 898	9 829	13 786
Public Institutions: Other: Provincial Government Business Enterprises	12 901	5 082	3 586	3 222	2 849	20 331	11 386	53 791	113 148
Public Institutions: Other: Provincial Public Entities	8 943	3 563	2 463	2 937	1 559	1 419	7 887	34 585	63 176
Other Municipalities	32 971	22 919	28 062	304 108	35 246	7 464	39 883	223 375	694 029
Other Traditional Authority Property	1 053	597	842	829	718	1 961	6 204	63 895	76 121
RSA	17 189	20 174	18 454	24 129	14 731	16 137	41 862	299 608	452 284
	77 027	53 700	54 266	336 150	56 313	48 938	111 239	693 178	1 430 809

Province	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days- 1 Year	Over 1 Year	Total
EASTERN CAPE	54 556	65 620	28 169	141 644	40 677	7 608	11 103	94 654	444 240
FREE STATE	58 812	55 791	88 504	51 030	44 417	40 610	211 335	794 332	1 346 032
GAUTENG	184 182	69 495	46 731	32 934	48 626	17 935	42 115	103 076	545 093
KWAZULU-NATAL	163 012	85 065	20 172	70 708	202 661	64 271	168 240	601 490	1 375 620
LIMPOPO	36 171	20 455	24 099	13 959	11 543	22 970	56 108	489 884	675 189
MPUMALANGA	26 746	6 675	20 595	16 328	18 925	11 552	24 992	157 148	282 962
NORTH WEST	21 569	20 552	16 577	16 972	15 263	22 306	74 082	610 438	697 760
NORTHERN CAPE	25 383	21 101	19 307	988 180	2 068	7 793	6 980	34 111	1 082 922
WESTERN CAPE	68 149	12 956	8 642	7 833	-146 132	-31 464	28 399	26 442	-27 175
	638 580	358 712	272 795	1 317 587	238 070	163 980	621 334	2 811 586	6 422 644

Debtors Age Analysis For Organs Of State
2 Quarter end: Month 06, December 2019 (Figures in R'000)

	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181 Days- 1 Year	Over 1 Year	Total
National	578 845	322 256	212 675	515 440	210 263	689 116	508 052	2 359 019	5 395 665
Provincial	638 580	358 712	272 795	1 317 587	238 070	163 980	621 334	2 811 586	6 422 644
Other	77 027	53 700	54 266	336 150	56 313	48 938	111 239	693 178	1 430 809
	1 294 452	**734 668**	**539 736**	**2 169 177**	**504 645**	**902 033**	**1 240 624**	**5 863 783**	**13 249 118**

Graph 2: Debtors Age Analysis for Organs of State



- National Public works has the largest debt – R2.9 billion of the total R5.3 billion
- Provincial Public works, roads and transport has the largest debt – R3.2 billion of the total R6.4 billion

Root Causes of the Escalating Debt

ROOT CAUSES

1. **Budget Constraints (Most Departments)**
2. Resource capacity challenges (staff, systems, and policies)
3. Non-attendance of Debt forums or poor inter-governmental relations
4. **Ownership Challenges: (Mostly Custodians – DPW and DRDLR)**
   - State Properties Inconsistencies on the Deeds Records (RSA properties)
   - Vesting and Transfer delays
   - Facilities on (non)state land (SDFs) , un-surveyed or surveyed but not registered
   - Lack of agreements (MoA/Us and Lease) on properties sitting on non-state land (Rates responsibility)
5. Incorrect tariff charges and inflated market values by municipalities
6. **Incorrect reporting by municipalities (Sec 71 reports figures disputed by departments)**
7. Non-allocations/Misallocations/Uncleared Suspense Accounts
8. Incorrect Interest charges (due to misalignment between Council resolutions and PFMA, e.g. 7 days as apposed to 30 days)

Progress On Addressing Root Causes

TASK TEAM ALLOCATION OF TASKS

1. The appointed Task Team (nominated by Accounting Officers) resolved to deal with the following root causes that carry a huge unpaid debt

ROOT CAUSE	ACTIONS TAKEN TO DATE	EXPECTED OUTCOME
Unpaid debt as a result of **State Domestic Facilities (SDFs)**	1. An SDF list was circulated to all custodian departments to engage municipalities to quantify outstanding debt on SDFs. 2. A document was developed on (19/10/2019) to assist the issuing of an Instruction Note by National Treasury (see attached) 3. A meeting was held with National Treasury on 07 February 2019) to discuss the contents of intended Instruction Note and possible unintended consequences.	Once the debt is quantified and confirmed, National Treasury and DCoG will assist in ensuring that the debt is settled by availing funding and issuing a clear Instruction Note which will clarify payment responsibilities. This may be aligned to the Sector Specific Guide on the Accounting and Reporting for Immovable Assets.
R293 PROPERTIES (properties that were erroneously registered with municipalities but belonging to custodian departments)	1. A list was circulated to all affected custodian departments (mostly National Public Works) to engage municipalities to quantify outstanding debt on these properties.	Once the debt is quantified and confirmed, Custodian departments should start settling the outstanding debt and ensure future payment of property rates. The Instruction Note will also assist in this regard.

Progress On Addressing Root Causes

TASK TEAM ALLOCATION OF TASKS

1. The appointed Task Team (nominated by Accounting Officers) resolved to deal with the following root causes that carry a huge unpaid debt

ROOT CAUSE	ACTIONS TAKEN TO DATE	EXPECTED OUTCOME
BUDGET CONSTRAINTS	1. A template was developed and sent to Departments through Provincial Chairpersons of Debt Forums to populate their funding constraints on confirmed debt. Departments complain that they are under-allocated each financial year and that causes a huge increase of outstanding debt. 2. The populated template was sent to National Treasury on 18 February 2019. NT requested a full picture of the funding constraints from all provinces.	National Treasury to have holistic view of under-allocation on property rates and service charges. Future allocations and adjustments to be based on the complete immovable asset registers . NT to allocate money for the arrear debt as a result of shortfalls over the years.

Progress On Addressing Root Causes

TASK TEAM ALLOCATION OF TASKS

1. The appointed Task Team (nominated by Accounting Officers) resolved to deal with the following root causes that carry a huge unpaid debt

ROOT CAUSE	ACTIONS TAKEN TO DATE	EXPECTED OUTCOME
VESTING AND TRANSFER DELAYS (When a State property in not vested, property rates are not paid in some cases. Delays in registering transferred properties affect payment of rates	1. GIAMA Implementation Technical Committee (GITC) was engaged to assist in shortening the vesting process. This was agreed and will be implemented 1. Custodian Departments were requested to provide instances where property registration delays on transfers exist and how much outstanding debt relates to such. A full list is awaited.	Payment of property rates for all state properties whether vested or not. Payment of state properties on transfer whether or not registration has taken place. The principle of **substance over form** or accounting principle of rights, control and obligations (including performing of a mandate in the property) must be applied for the occupant of the property. This should apply mostly on tribal land.

Provincial Debt Balances and Payments - 04 March 2020

Province	Opening Debt Balance (01 April 2019)	Current Bills	Payment	Balance	Unpaid due to Ownership challenges	To be vested	Interest	Unpaid (Incorrect billing)	Unpaid due to Budget / Awaiting documents	Under Investigation
EC	191,627,812	500,268,052	518,408,018	173,487,846	30,805,303	5,280,819	41,248,662	17,560,290	40,609,233	40,609,233
FS	657,641,257	843,915,226	725,928,859	775,627,624			4,023,781		775,627,624	775,627,624
GP	382,594,584	773,558,131	746,217,957	409,934,758	94,885,440				109,000,000	388,146,034
KZN	188,877,279	980,295,978	825,928,751	343,244,506				23,169,790		
LP	431,755,772	97,305,516	107,420,227	421,641,061	400,901,477	424,032		4,782,339		
MP	279,456,057	208,929,016	237,906,352	250,478,721	232,343,162				250,478,721	9,330,402
NC	757,499,732	121,000,000	126,000,000	752,499,732	247,864,000			953,000	451,000,000	52,685,732
NW	-	341,689,573	327,691,369	13,998,204	62,910,509				13,998,200	
WC	(16,218,716)	570,271,041	649,554,765	(95,502,440)	17,714,667	1,114,680	2,618,482	39,873,384		
Total	**2,873,233,776**	**4,437,232,534**	**4,265,056,297**	**3,045,410,013**	**1,087,424,558**	**6,819,531**	**47,890,924**	**86,338,803**	**1,531,713,778**	**1,266,399,024**

Interventions Required

1. Sec 71 report to be corrected – departments to engage monthly with municipalities to ensure that the quarterly reports reflect balances agreed upon by all parties (depts., municipalities & provincial treasuries).
2. Interim arrangements to be made between departments and municipalities (copying from the KZN province) to ensure that payments are made on properties on municipal, trust, private, tribal and communal land. A formal process of properly surveying the properties should take place. Once agreed with the municipalities on the interim measure, agreements must also be made on retrospective payments or prospectively.
3. Municipal Councils should pass resolutions to donate (sign deed of donation) state properties sitting on their land parcels. Without such transfers, departments will find it difficult to pay for those properties because they are recorded in the Municipal asset registers, i.e. Title Deeds are with municipalities.
4. Municipalities to demonstrate how they came up with values and municipal bills for un-surveyed properties. Payments to be made only if it is justifiable to do so and the values are not inflated.
5. Treasuries should allocate money commensurate with custodian property portfolio to avoid under-allocations and balloon debt.
6. Municipalities should bill departments (submit statements/invoices) to allow departments to pay. The bills must be sent to the correct departments and must be split.
7. Vesting should be fast-tracked and the current impediments in the process must be addressed as a matter of urgency.
8. A Practice Note clarifying ownership and emphasizing the responsibility for departments to pay for their properties (SDFs) must be issued. Agreements should be entered into urgently.

2.

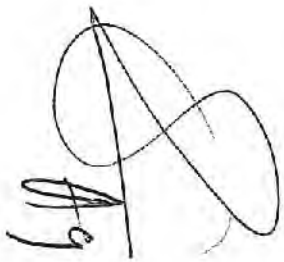
WORK DONE

Payment Campaign

- Progress to date include:
  - Implementation plan developed and financing for 2020/21 rollout secured.
  - A national campaign will be implemented in three phases running concurrently and rolled out from 2020/21 to 2022/23 financial years.
  - The campaign will be implemented in four (4) modalities which will all run concurrently and that entails the media roll-out campaign, the political campaign, the public servants campaign and the institutionalization of the campaign at the municipal level.

Installation of Prepaid/Smart Meters

- Government will test a business case in Maluti-a-Phofung, Thabazimbi, Naledi and Govan Mbeki for future and wider implementation.
- The testing will provide the proof of concept; standardized technology, systems, processes, structure, policies in pre-paid rollout
- Financing has been made available to implement the testing from various institutions.
- Prepaid smart meters have potential to alleviate the debt problem in the following ways:
  - Cash flow improvement;
  - Smart systems (intelligence) to manage the network;
  - Reduction of water losses; and
  - Addressing culture of non-payment.



Defaulting Municipalities

- Emphasis is on funded budgets – no council must adopt an unfunded budget!
- Greater focus on budget funding assessment to ensure credible budgets;
- Ensure realistic payment arrangements prepared;
- Payment of current accounts must be honoured; and
- Ensure budgets start to generate surpluses to honour arrear payments.
- Engage with ESKOM on the matter of debt restructure with special focus to curb the compounding interest and penalties
- The Municipal Finance Recovery Service (MFRS) and Provincial Treasuries are in a process to capacitate the function to expedite the resolution of financial problems through municipal support and interventions
- Intention is to categorise municipalities for targeted support in areas of governance, institutional arrangements, financial management and service delivery (NT in collaboration with COGTA).

Defaulting Municipalities

Enforcing the Tabling of Funded Municipal Budgets

- In the 2019/20 financial year, 127 municipalities were identified by NT and PTs that require support/intervention (includes 30 of the 40 municipalities that are currently under intervention).
- The adopted budgets of these municipalities have been re-assessed (independently NT) even though the PT have assessed these budgets.
- Budgets that were found to be unfunded after the re-assessment were required to correct this by revising the budget and re-tabling it at a special council meeting.
- Letters from NT were sent to each of the municipalities informing them of the outcome of the re-assessment.
- PTs and Provincial COGTAs supported municipalities during the month of October 2019 to realise funded budgets.
- To attain a funded state these municipalities had to revise:
  - Original budget assumptions;
  - Reduce the expenditure budget, even to the extent of removing internal funds for capital programmes, cost containment;
  - Develop revenue improvement measures that will increase the collection rate of the municipality.
- The exercise was successful, 61 of the 127 municipalities revised their budgets to funded state, 66 municipalities could not change the status for various reasons – one being their large arrear obligation
- Furthermore, letters were written to affected municipalities informing them that the momentum of adopting a funded budget must prevail during the main adjustments budget in February 2020
- Realising this position may be difficult for some municipalities but the budget must at the least ensure that the current accounts of creditors are accommodated
- That the municipality timeously honours payment to their creditors which includes bulk suppliers
- That the 2020/21 budget maintains the payment of current accounts with budgeted surpluses to payoff arrear amounts
- Restore a culture of payment of current account.
- Revise unrealistic and unaffordable payment arrangements.

Debt Restructuring

- NT drafted the implementations plans and is engaging ESKOM, DHSWS (Water Trading Entity) (WTE) and Water Boards) with a view to re-negotiate the arrear amounts owed to them by municipalities.
- **The engagements with Eskom, DHSWS include discussions on:**
  - Ring-fencing the arrear debt;
  - Stopping the interest from escalating;
  - Where it is evident that the municipality will not be in a position to honour its obligation, a possible incentive-based debt restructuring option may be considered (Water Boards internal processes are dependent on their policy); and
  - Revising currently-signed payment arrangements, as well as timeframes thereof.
- **In parallel-**
  - Municipalities are encouraged to adopt funded budgets; and
  - Continuously honour current account payments.
- Progress to date include:
  - Eskom indicated that the board had considered the proposal made by NT, this was presented to NT
  - The proposals require further unpacking and smaller groups were proposed to find solutions around each matter
  - As an example, there are legal matters that must be considered and the accounting treatment of certain proposals for the accountants

Active Partnering Between Stakeholders

- Eskom, SALGA and MISA has already commenced engagements to partner in finding lasting solutions to assist ailing municipalities with electricity distribution and revenue enhancement.
- Areas of support where Eskom will assist:
  - Network and Master Planning
  - Installation and management of SMART prepaid meters
  - Revenue enhancement and collection service
  - Energy Losses management and revenue recoveries
  - Maintenance and Operations where needed
  - Technical skills development e.g. accreditation and authorization of network operators and technical standards

3.

MULTI-DISCIPLINARY DEBT TEAM

Multidisciplinary Team

- IMTT has not been re-established in the 6th Administration
- A multidisciplinary team is proposed to implement the recommendations from the IMTT comprising of:

  - Department of Cooperative Governance (DCoG);
  - Department of Energy (DoE);
  - Department of Public Works and Infrastructure (DPWI);
  - Department of Rural Development and Land Reform (DRDLR);
  - Department of Water and Sanitation (DWS);
  - Eskom;
  - National Treasury (NT); and
  - South African Local Government Association (SALGA).

- The overall objective of the multidisciplinary team is to ensure the reduction in debt owed by municipalities and to municipalities.

4.

RECOMMENDATIONS



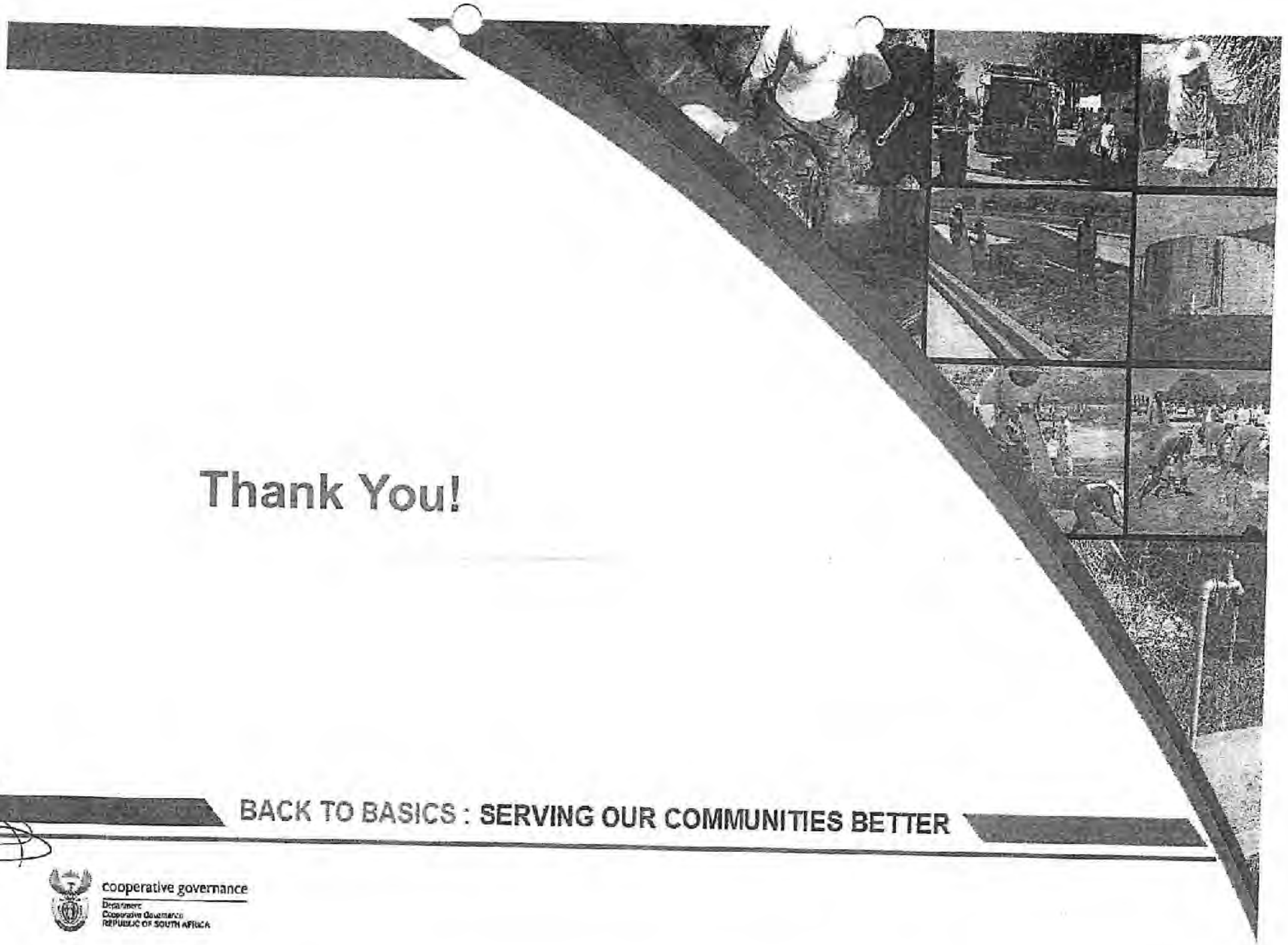
Recommendation

It is recommended that the Standing Committee on Public Accounts:

(i) Notes the contents of the presentation;

(ii) Notes the initiatives undertaken by the various stakeholders to address the challenges relating to municipal electricity and water use debt; and

(iii) Provides further inputs to assist stakeholders in dealing with the challenges in this regard.



Thank You!

cooperative governance
Department
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

"ESK - 22"

Eskom

Mr Chris Forlee
Chief Executive Officer
NERSA
P O Box 40343
ARCADIA
0007

Dear Mr Forlee

RE: REQUEST FOR A MEETING REGARDING MUNICIPAL DEBT AND ENERGY LOSSES

The purpose of this letter is to request a meeting to discuss and identify areas of assistance Eskom will need from NERSA in executing management of Municipal Debt and Energy Losses strategies. We would also share our strategies regarding the management of Municipal Debt and Energy Losses.

Our goal is to cooperate with all relevant stakeholders and identify amicable solutions. I trust that you will find this urgent meeting request acceptable and I look forward to us finding common grounds on these strategies.

Yours sincerely

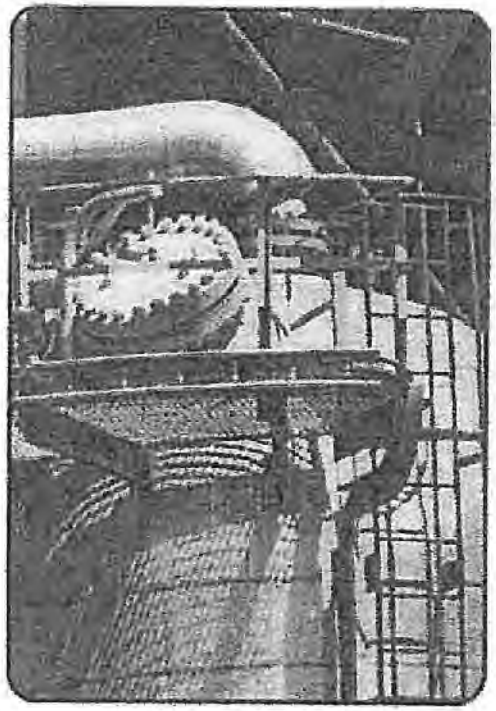
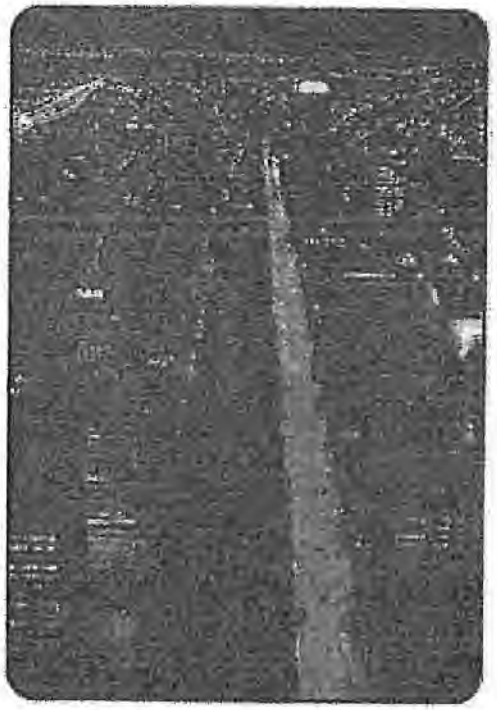
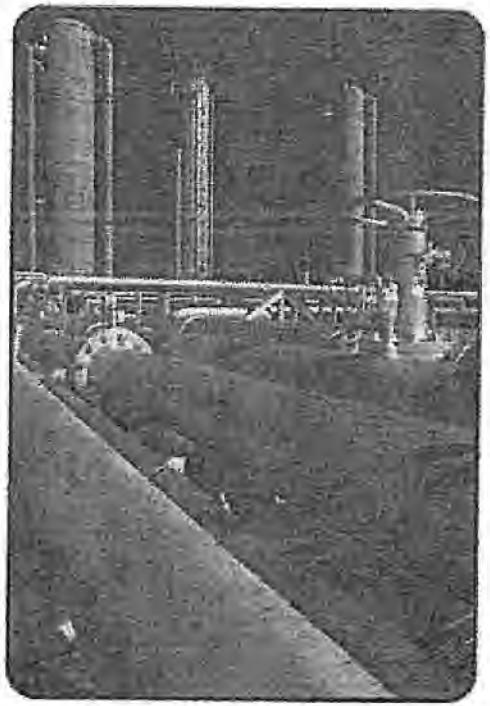
Monde Bala
GROUP EXECUTIVE: DISTRIBUTION
Date: 28 JAN 2020

Megawatt Park Maxwell Drive Sunninghill Sandton
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Eskom Holdings SOC Ltd Reg No 2002/015527/30

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Status of Compliance to NERSA regulations by municipalities & Eskom Engagement

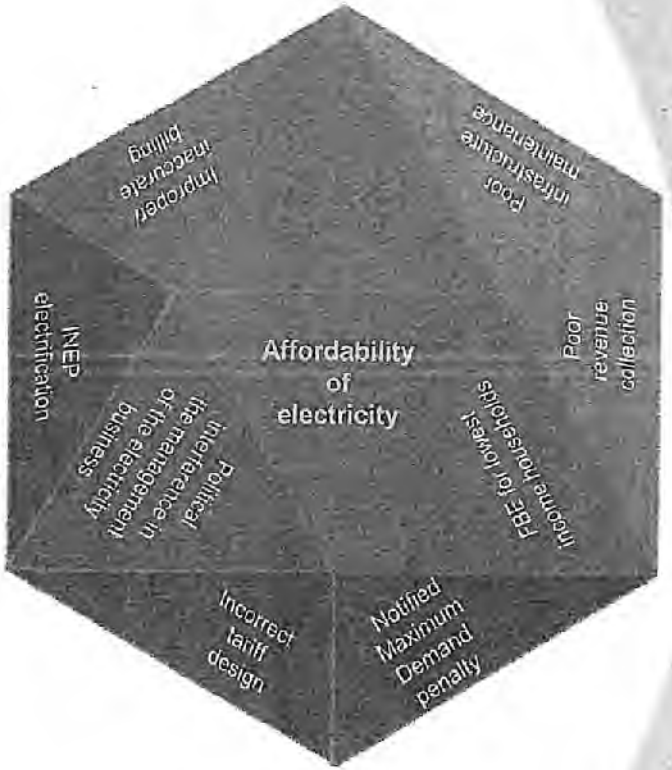
Eskom Political Task Team Meeting

19 February 2021

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Solving the electricity system issues requires multiple approaches

Issue	Political	NERSA	Municipality	Eskom
Political interference in the management of the electricity business	✓		✓	
Municipal funding	✓			
Improper/ inaccurate billing		✓	✓	
Poor revenue collection			✓	
Notified Maximum Demand penalty		✓	✓	✓
Poor infrastructure maintenance		✓	✓	
Eskom high capacity upgrade fee				✓
Incorrect tariff design		✓	✓	✓
INEP electrification	✓		✓	
Human resourcing of critical positions			✓	
Minimal or non-reinvestment in the upgrade and technology to manage the infrastructure			✓	
Affordability of electricity	✓	✓	✓	✓
FBE for lowest income households	✓		✓	



NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA follows a structured approach to enforcing compliance with licence conditions

Audits & Monitoring

- Compliance audits/monitoring is a NERSA process requiring significant municipality inputs and effort

Tribunal

- Section 18 process
- NERSA process but quasi-judicial
- Transparent

Revocation

- Section 17 – voluntary process
- Section 19 - Court process
  - Costly & time consuming

Keep the engagements out of Court as much as possible and observe Chapter 3 of our Constitution

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA has two main routes to enforce licence conditions

Tribunal	Revocation
Tribunal is a **quasi-judicial process** aligned with the existing regulatory framework.	**Section 17** revocation of licence is premised on an **application by a licensee.**
This **enables NERSA to compel compliance** from licensees.	**NERSA cannot at its own instance revoke a licence** through regulatory process.
The effect of a tribunal is that a non-compliant licensee is required to **comply with a notice issued by NERSA.**	**Section 19** requires **NERSA to approach court** to make an application for the revocation of a licence.
The tribunal process can only end with a **penalty.**	This becomes a full court process which is **costly and time consuming**
It **does not assist punishing a licensee who is unable to service a bulk account** with a penalty as they still will not be able to pay let alone pay any penalties.	Despite NERSA approaching a court for revocation of licence, **electricity demand from end users will not cease.**
The outcome of the tribunal process does however **enables NERSA to approach courts for revocation of licence.**	NERSA must also show to the court that there is **an alternative supplier** who will be taking over the service.

The **tribunal process seeks to remedy non-compliance with licensee business continuity,** whilst **revocation results in a licensee losing the right to supply electricity** to alternative supplier.

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Municipal Audits 2015 – 2020
Key trends and Observations

Province	# of audits	Key Findings	Status	Follow-up Action
Eastern Cape	10	40% have current bulk A/C 20% ≥6% budget for R&M* 70% charge correct tariffs	Response to audit: 20% showed improvement 50% are non-compliant	Tribunal summons is first line of recourse
Free State	5	40% have current bulk A/C 20% ≥6% budget for R&M 100% charge correct tariffs	Response to audit: 30% showed improvement 80% are non-compliant	Tribunal summons is first line of recourse
Gauteng	6	50% have current bulk A/C 33% ≥6% budget for R&M 83% charge correct tariffs	Response to audit: 33% showed improvement 33% are non-compliant	Tribunal summons is first line of recourse
Kwa-Zulu Natal	13	69% have current bulk A/C 23% ≥6% budget for R&M 77% charge correct tariffs	Response to audit: 23% showed improvement 62% are non-compliant	Tribunal summons is first line of recourse
Limpopo	6	50% have current bulk A/C 33% ≥6% budget for R&M 67% charge correct tariffs	Response to audit: 33% showed improvement 67% are non-compliant	Tribunal summons is first line of recourse
Mpumalanga	5	0% have current bulk A/C 0% ≥6% budget for R&M 80% charge correct tariffs	Response to audit: 0% showed improvement 100% are non-compliant	Tribunal summons is first line of recourse

Source: NERSA Annual Audit Reports

* R&M = Repairs and Maintenance

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

Municipal Audits 2015 – 2020
Key trends and Observations

Province	# of audits	Key Findings	Status	Follow-up Action
North West	5	60% current bulk Eskom A/C 40% ≥6% budget for R&M 40% charge correct tariffs	Response to audit: 0% showed improvement 100% are non-compliant	Tribunal summons is first line of recourse
Northern Cape	8	0% current bulk Eskom A/C 0% ≥6% budget for R&M 50% charge correct tariffs	Response to audit: 0% showed improvement 88% are non-compliant	Tribunal summons is first line of recourse
Western Cape	12	83% current bulk Eskom A/C 50% ≥6% budget for R&M 92% charge correct tariffs	Response to audit: 8% showed improvement 83% are non-compliant	Tribunal summons is first line of recourse

Source: NERSA Annual Audit Reports

Key license conditions and non-compliance matters:

- Bulk account must be paid and maintained as current - Less than half of municipalities have current bulk accounts
- Electricity business must be ring-fenced from the rest of municipal business - only one municipality has ring-fenced its electricity business
- 6% of electricity revenues budgeted to R&M - the majority of municipalities exhibit under investment in repairs and maintenance, well below the 6% threshold
- Only NERSA approved municipal tariffs may be charged to consumers - most municipalities are charging correct tariffs and those non-compliant municipalities rectified the billing after the audits' findings

NERSA to initiate tribunal proceedings to deal with non-compliance

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Municipal Audits
Challenges and possible solutions

- Number of audits performed in 2019 –
  - 3 Distribution audit teams **conducted 18 compliance audits and 9 monitoring audits.**
  - Represents **just 7% of municipalities**
  - **Limited capacity** to monitor execution
- The conundrum of **not ring-fencing electricity revenue** and suboptimal rates and taxes base
  - Most licensees don't ring-fenced electricity tariffs – **cross-subsidisation** of municipal services
  - Non-payment of the bulk supplier account as **funds allocated to other services**
- Expanding the audit process will need resources and the current strategic planning will assess options for increased audits
  - **Increasing NERSA capacity** with regional offices
  - **Outsourcing** audits to professional services firms
  - **Funding** implications (levy or fiscus)

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Municipal Audits
Procedural Fairness and Context

- NERSA has to follow regulatory and administrative justice obligations
  - pursue a regulatory process towards a tribunal despite pending court processes
- In the case of Emfuleni Local Municipality (ELM) -
  - "Affected parties" applied for amendment of ELM's distribution licence {S16 (e) of the ERA}
  - Application is Eskom to taking over distribution, collections and maintenance
- Constitutional challenge
  - Emfuleni is currently under provincial administration (S139 of the Constitution)
  - Removal of cross-subsidisation of services will need broader resolution of the structural weaknesses in municipal funding model undermining service delivery
- NERSA to pursue the tribunal route



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Municipal Audits
NERSA Tribunal Process Initiated

Strategic Action	• Focus on five worst performing municipalities i.r.o financial conditions • Municipalities collectively owing Eskom more than R15 billion, have been served with Tribunal Notice
Expected Timing	The pleading process is expected to be completed by first week of March 2021
Strategic impacts	Initial focus is financial conditions violation Future plans to address broader licence breaches • improved infrastructure performance - minimising the technical losses • improved revenue collection efficiency to minimise non-technical losses
Enforcement Recourse	• NERSA issues a compliance notice • Compliance with the order monitored and progress assessed • Continued violation of the compliance notice triggers a legal process

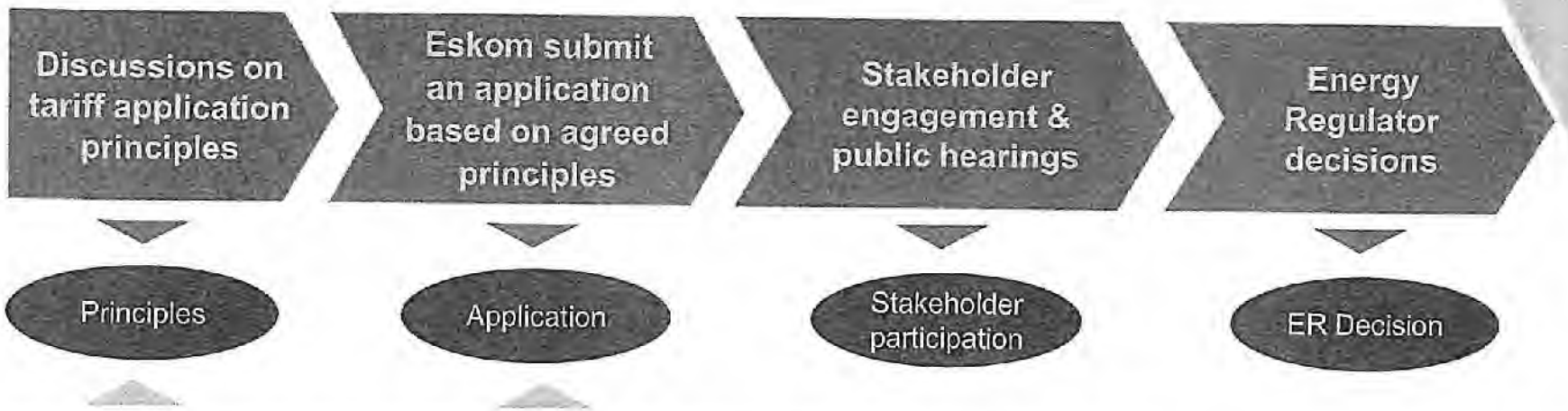
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Resolution of tariff issues

NERSA-ESKOM ENGAGEMENT

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Engagements are not intended to bypass the regulatory & governance processes



Progress and conclude all outstanding legal cases

ESI Regulatory Reform Strategy

Energy data collection and analysis

Appropriate governance framework

The intention is not to bypass stakeholder participation or to usurp Energy Regulator's powers

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NERSA and Eskom have had promising discussions

- NERSA supports cost reflective tariffs
  - Requirement is agreement on "*efficient and prudent*" costs as a basis
  - Need for "*real*" costs-to-serve studies based on efficiently-incurred and electricity related costs
- Cross subsidy approach needs to be reviewed
- Urgent need for a shift from "time of use" of use tariffs to "type of use" tariffs
  - Time of use tariffs penalises non-discriminately
  - Type of use tariffs promote competitiveness & customer choices
  - Type of use tariffs send correct price signals to consumers as per S15(1)(c)
  - Type of use tariffs will facilitate appropriate investment in ESI
- Different types of services demand appropriate supply options
  - Constant, non-variable, 24/7 demand costs appropriately 50c/kWh to supply
  - Semi-variable but predictable demand costs approximately R2.00/kWh to supply
  - Variable, ad-hoc and unpredictable demand costs over R4.00/kWh to meet

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Some progress has been made, facilitated by Minister Gordhan…

- NERSA - Eskom engagement process forced by events
  - Interim relief trial provided opportunity for a negotiated settlement
  - Settlement without prejudice to NERSA's governance frameworks
- **Risk mitigation approached adopted**
  - Risk of **default order of R23 billion** too ghastly to comprehend
  - Adopted a **negotiated R10 billion and one year RCAs liquidation**
- The pre-settlement tariff increase would have been 10.95%
  - Adding **R23 billion** would have increased tariff for 2021/22 year by **21.72%**
  - Adding **R10 billion** will increase tariff for 2021/22 year by **15.63%**
- The settlement has cleared the way for NERSA and Eskom to engage further on the broader tariff related issues

Priority to establish NERSA-Eskom Engagement Task Team

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...however progress must balance impacts of tariffs increases.

- Eskom to address options to mitigate impact of tariff increase:
  - **Adjustment to FBE to mitigate impact on affordability** (DMRE)
  - **Support for productive sectors' - growth and jobs** (ESKOM):
    - Change in industrial and mining subsidy – NERSA to explore regulatory options
    - Negotiated Pricing Agreements (NPAs) – Eskom to enable potential applicants.
- NERSA to address regulatory options to amend municipal tariffs where approved tariffs have been exceeded in violation of licence conditions
- **Principles need to be agreed** that will inform:
  - The tariff methodology review and the revised MYPD5 (2022 – 2025) methodology
  - Improved efficiency of NERSA administrative actions
  - Broader electricity sector regulatory reform

Priority to develop ESI Regulatory Reform Strategy

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Need for engagement on outstanding court and regulatory matters

- Progressing of FY2019/20 RCA in light of reviewed MYPD 4 revenue is **fraught with uncertainty**
  - In July 2020, the court reviewed, set aside and remitted MYPD4 Years 1 and 2 determinations back to NERSA
  - In December 2020, Eskom submitted its 2019/20 RCA application – for MYPD4 Year 1
- This creates a **regulatory conundrum** as 2021/22 is the final year of the MYPD4
  - NERSA can only evaluate the RCA 2019/20 once it has reconsidered its determination of the first two years of MYPD4
  - Eskom will submit its MYPD5 revenue application whilst the MYPD4 revenue determination is under review
- The MYPD5 is preceded by the development of the related MYPD Methodology during 2021/22.

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Consolidated application to clear backlog and a predictable price path approach

- Conclusion of all other outstanding revenue application cases in a **efficient but procedurally fair** manner:
  - Eskom to submit **one consolidated revenue application** that addresses all outstanding MYPD4 matters
  - Application and decision making subject to **scrutiny of administrative justice** principles
  - Achievement of fair, reasonable and acceptable revenue determination
- Need for new **tariff methodology review** and MYPD5 methodology
- Need for a better **predictable tariff setting** approach to reduce risk price shocks

Thank you

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AGENDA

ESKOM TECHNICAL TASK TEAM MEETING

DATE: 21 JULY 2021

10:00- 14:00

MS Teams

Chairperson: DG in the Presidency

Agenda item		Responsibility
SECTION A: PROCEDURAL MATTERS		
A1.	Opening Remarks	**Chairperson**
A2.	Apologies	All
A3.	Adoption of Agenda	All
A4.	Minutes of the Eskom Technical Task Team Meeting 22/06/21	All
A5.	Progress Report Decision Matrices of the Eskom Political Task Team Meetings held 18/05/2021 and 15/06/2021	Secretariat
SECTION B: SUBSTANTIVE MATTERS - PRESENTATIONS		
B1.	**Progress Report on the Eskom - MAP SLA**	NERSA, CoGTA, DPE
2.	**Progress Reports** • Interventions on debt owed to Eskom by Municipalities (Top 20 Distressed Municipalities) • Interventions on debt owed by Organs of state to Municipalities (Top 10 Departments) • Campaign on Responsible Citizenry and roll out plan for the Top 20 distressed Municipalities	MdRC
B3.	**Debt Write Off Proposal**	NT
B4.	**Progress Report on Procurement of Additional Capacity**	DMRE
B5.	**Stabilisation of Load shedding and Emissions Reduction** **Progress Report on Just Energy Transition**	Eskom

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Agenda item		Responsibility
B6.	**Eskom's Long Term Financial Position**	Eskom
B7.	**Update on the Legal separation project**	Eskom
SECTION C: CONCLUSION		
C1.	Way Forward and Closure	Chairperson

"ESK 25"

ESKOM

(REV MEI '99)
STANDAARDKONTRAK VIR DIE VOORSIENING VAN ELEKTRISITEIT BY DIE GROOTMAAT
STANDARDRATE

ELEKTRISITEITSVOORSIENINGSOOREENKOMS

AFDELING A: ALGEMEEN

1. PARTYE

Die partye tot hierdie Ooreenkoms is -

E S K O M

hierin verteenwoordig deur STEPHANUS PAUL KRUGER

in sy/haar hoedanigheid/hoedanighede van KLANTEDIENS AREA BESTUURDER

- EN -

STELLA MINISIPALITEIT

('die VERSPREIDER'), hierin verteenwoordig deur THOMAS FREDERIK VAN JAARSVELD

in sy/haar hoedanigheid/hoedanighede van UITVOERENDE HOOF / STADSKLERK

2. INLEIDING

Daar word geboekstaaf dat -

2.1 ESKOM die VERSPREIDER tans ingevolge 'n bestaande elektrisiteitsvoorsieningskontrak gedateer 4/12/1970 voorsien van 'n elektrisiteitstoevoer by die grootmaat vir eie gebruik en vir die doel van verspreiding aan verbruikers wat die VERSPREIDER van tyd tot tyd geregtig is om te voorsien.

2.2 Die VERSPREIDER en ESKOM ooreengekom het dat genoemde voorsieningskontrak gedateer 4/12/1970 beëindig en vervang moet word deur hierdie Ooreenkoms op die datum van ondertekening daarvan.

3. ALGEMENE OOREENKOMS

ESKOM kom ooreen om alle elektrisiteit wat die VERSPREIDER nodig het, aan die VERSPREIDER te voorsien, en die VERSPREIDER kom ooreen om dit van ESKOM te neem, ooreenkomstig die bepalings en voorwaardes wat in hierdie Ooreenkoms uiteengesit word; onderworpe aan die voorskrifte van die Eskomwet, 1987 (Wet No 40 van 1987) en die Elektrisiteitswet, 1987 (Wet No 41 van 1987) en die Reëls en Regulasies wat ingevolge hiervan uitgevaardig is (hierna onderskeidelik 'die Wet' en die 'Elektrisiteitswet' genoem), en van ESKOM se Distribusielisensie en sy Lys van Standaardpryse, soos van tyd tot tyd gewysig of herverorden.

4. INTERPRETASIE EN OMSKRYWINGS

Tensy dit teenstrydig is met die konteks, het die woorde en uitdrukkings wat in hierdie Ooreenkoms gebruik word, dieselfde betekenis as dié wat in die Wet, die Elektrisiteitswet, Eskom se Distribusielisensie en Eskom se Lys van Standaardpryse aan hulle toegeken word.

5. STANDAARDVOORSIENINGSVOORWAARDES EN PRYSLYS

ESKOM se Standaardvoorwaardes vir Voorsiening van Elektrisiteit by die Grootmaat en 'n pryslys wat die heersende heffings en tariewe uiteensit van die toepaslike tarief wat van krag is op die datum van ondertekening hiervan, is hierby aangeheg as bylaes 'A' en 'B' onderskeidelik.

Genoemde bylaes en enige ander bylaes waarna in hierdie Ooreenkoms verwys word, vorm deel van hierdie Ooreenkoms en word beskou as ondeelbaar deel hiervan, en alle verwysings daarin na 'Verbruiker' moet beskou word as verwysing na die VERSPREIDER.

6. DUUR VAN OOREENKOMS

Hierdie Ooreenkoms word van krag op die datum wanneer die verhoogde toevoer beskikbaar gestel word en duur vir 'n onbepaalde tyd, onderworpe aan die voorskrifte van hierdie Ooreenkoms en die reg van elke party om hierdie Ooreenkoms te beëindig deur die ander party 3 (drie) kalendermaande skriftelik kennis te gee.

AFDELING B: FINANSIEËL

7. ELEKTRISITEITSPRYSE

Die pryse wat deur ESKOM gevra en deur die VERSPREIDER betaal moet word vir elektrisiteit wat ingevolge hierdie Ooreenkoms voorsien of beskikbaar gemaak moet word, is die Standardrate pryse wat in Eskom se Lys van Standaardpryse voorgeskryf word, onderworpe egter aan:

(a) Die voorskrifte van die Wet, die Elektrisiteitswet en Eskom se Distribusielisensie, wat onder meer voorsiening maak daarvoor dat ESKOM sy Lys van Standaardpryse van tyd tot tyd mag hersien of wysig met die goedkeuring van die Nasionale Elektrisiteitsreguleerder.

(b) ESKOM se reg om periodiek die pryse aan te pas wat hy vra vir elektrisiteit wat voorsien word, in ooreenstemming met artikel 15(1)(b) van die Wet en met die goedkeuring van die Nasionale Elektrisiteitsreguleerder.

8. KAPITAALUITGAWES: KONTANTBETALING

Ten opsigte van die kapitaaluitgawes en die koste wat deur ESKOM aangegaan is en/of aangegaan moet word om hierdie elektrisiteitstoevoer aan die VERSPREIDER beskikbaar te stel, moet die VERSPREIDER ESKOM die bedrag van R 106 156.00. (Honderd en Ses Duisend Een Honderd Agt en Vyftig Rand + BTW.) betaal. Genoemde bedrag is deur die VERSPREIDER betaalbaar binne 30 (dertig) dae nadat hy deur ESKOM versoek is om dit te doen.

- OF -

9. KAPITAALUITGAWES: MAANDELIKSE HUURGELD

Ten opsigte van die kapitaaluitgawes en die koste wat deur ESKOM aangegaan is en/of aangegaan moet word om hierdie elektrisiteitstoevoer aan die VERSPREIDER beskikbaar te stel, moet die VERSPREIDER ESKOM die bedrag van R 1 498.00 (Een Duisend Vier Honderd Agt en Negentig Rand) (+ BTW @ 14% = R 1707.72) per maand betaal (hierna die 'maandelikse huurgeld' genoem), onderworpe egter aan die voorbehoudsbepaling dat korting toegestaan moet word op die maandelikse huurgeld (voor die byvoeging van BTW teen die voorgeskrewe koers), maar nie tot die mate van uitwissing nie, ten opsigte van elke maand waartydens elektrisiteit geneem word, van R2,00 (twee rand) vir elke kilovolt-ampère van die werklike maksimum aanvraag wat gedurende daardie maand aangeteken is , of, indien die heffings vir daardie maand bereken word volgens paragraaf (d) van die 'Standardrate'-pryse, van 'n bedrag bereken as die produk van die totale getal kWh energie wat in daardie maand verskaf is en die tarief van 1,35c (een komma drie vyf sent) per kWh.

Die maandelikse huurgeld of die netto bedrag daarvan, indien enige, soos hierbo bepaal, is betaalbaar-

(i) vir 'n tydperk van 300 (Drie Honderd) maande, gereken van die datum waarop die verhoogde toevoer beskikbaar gemaak is, onderworpe daaraan dat hierdie Ooreenkoms van krag bly en dat, indien die maandelikse huurgeld op enige tydstip verhoog word soos waarvoor in klousule 12 voorsiening gemaak word, die bedrag waarmee die maandelikse huurgeld verhoog word, betaalbaar sal wees vir sodanige tydperk as waartoe die partye ooreengekom het;

(ii) maandeliks, of elektrisiteit gedurende 'n maand geneem is of nie, op dieselfde tyd as wat die pryse ingevolge klousule 8 betaalbaar is.

10. SEKURITEIT - ELEKTRISITEITSREKENINGE

Die VERSPREIDER moet, as sekuriteit vir die betaling wat verskuldig is op die elektrisiteitsrekeninge wat ingevolge hierdie Ooreenkoms gelewer moet word, binne 30 (dertig) dae nadat die versoek deur ESKOM gerig is, by ESKOM die bedrag van R 200 000,00 (Twee Honderd Duisend Rand) deponeer, of aan ESKOM 'n waarborg lewer vir genoemde bedrag wat vir ESKOM aanvaarbaar is.

ESKOM het die reg om die VERSPREIDER te eniger tyd te vra om die bedrag van genoemde deposito of waarborg te verander sodat die sekuriteitsbedrag voldoende sal wees om die beraamde bedrag te dek wat deur die VERSPREIDER betaalbaar is vir elektrisiteit gedurende 'n tydperk van drie agtereenvolgende maande, en die VERSPREIDER is verplig om ESKOM te voorsien van die vereiste bykomende deposito of verhoogde waarborg, wat die geval ook al mag wees, binne 30 (dertig) dae nadat hy versoek is om dit te doen.

11. ONVERHAALBARE UITGAWES EN KOSTE:
GEWAARBORGDE BYDRAE

Die VERSPREIDER erken dat ESKOM in die beskikbaarstelling van 'n elektrisiteitstoevoer, en ook indien dit nodig sou word om sy toerusting af te takel by beëindiging van die toevoer, sekere uitgawes en koste sal aangaan wat die waarde van die verhaalbare bates sal oorskry. Om ESKOM vir sodanige uitgawes en koste te vergoed, word soos volg ooreengekom:

11.1 Indien die toevoer beëindig word, moet die VERSPREIDER ESKOM 'n bydrae betaal vir genoemde onverhaalbare uitgawes en koste wat ESKOM sal aangaan.

11.2 Die VERSPREIDER se voorwaardelike las mag nie die bedrag van R 60 000,00 (Sestig Duisend Rand) (hierna die 'Gewaarborgde Bydrae' genoem) oorskry nie.

11.3 Die Gewaarborgde Bydrae moet, onderworpe daaraan dat die VERSPREIDER sy verpligtinge ingevolge hierdie Ooreenkoms nakom, met 1/10 (een tiende) van die Gewaarborgde Bydrae verlaag word vir en ten opsigte van elke voltooide jaar waartydens hierdie Ooreenkoms van krag is.

11.4 van die vierde jaar tot en met die dertiende jaar, bereken van die datum waarop elektrisiteit vir die eerste keer ingevolge hiervan aan die VERSPREIDER verskaf is.

11.4 Indien hierdie Ooreenkoms binne die tydperk van 13 (dertien) jaar wat in subklousule 11.3 genoem word, deur ESKOM beëindig word as gevolg van kontrakbreuk deur die VERSPREIDER, of deur die VERSPREIDER beëindig word, is die bedrag van die Gewaarborgde Bydrae of die verlaagde bedrag daarvan deur die VERSPREIDER aan ESKOM betaalbaar.

12. WYSIGING VAN BEPALINGS - ADDISIONELE KAPITAALUITGAWES

Indien die VERSPREIDER vereis dat ESKOM 'n verhoogde toevoer in ooreenstemming met die bepalings van klousule 13 verskaf, is so 'n verandering in toevoer onderworpe aan die bepalings en voorwaardes waartoe die partye ooreenkom en wat skriftelik bevestig word in ooreenstemming met subklousule 17.2. Enige gevolglike aanpassing van die bedrag of bedrae wat in klousule 9 genoem word, moet nie alleen rekening hou met die addisionele kapitaaluitgawes wat deur ESKOM aangegaan is of moet word ten einde die VERSPREIDER se toevoer te verhoog nie, maar ook met die addisionele vermoë van ESKOM se distribusiestelsel wat beskikbaar gemaak word en/of gereserveer moet word vir die VERSPREIDER se verhoogde aanvraag.

AFDELING C: TEGNIES

13. VERSPREIDER SE AANGEMELDE MAKSIMUM AANVRAAG EN KENNISGEWING VAN BYKOMENDE AANVRAE

13.1 ESKOM is verplig om 'n elektrisiteitstoevoer aan die VERSPREIDER beskikbaar te stel en te voorsien tot die maksimum vermoë van die aangemelde maksimum aanvraag van die VERSPREIDER, soos van tyd tot tyd verhoog deur die addisionele aanvrae van die VERSPREIDER wat by ESKOM aangemeld is en wat hy aanvaar het, in ooreenstemming met die voorskrifte van subklousule 13.3.

13.2 Die aangemelde maksimum aanvraag van die VERSPREIDER nadat die verhoogde toevoer beskikbaar gestel is, sal 1500 kVA (Een Duisend Vyf Honderd kilovolt-ampère) wees.

13.3 Indien die VERSPREIDER te eniger tyd 'n verhoogde (of verlaagde) toevoer vir sy elektriese installasie verlang, moet hy ESKOM voldoende skriftelike kennis gee van die nuwe aangemelde maksimum aanvraag wat hy verlang ESKOM moet voorsien en van die datum waarop sodanige veranderde aanvraag verlang word.

Daar sal met 'n verandering in die VERSPREIDER se aangemelde maksimum aanvraag gehandel word in ooreenstemming met die prosedure soos uiteengesit in die omskrywing van 'aangemelde maksimum aanvraag' in Eskom se Standaardpryslys, en die voorskrifte van klousule 12.

14. LEWERINGSPUNT

14. Die elektrisiteit wat deur ESKOM voorsien word, moet aan die VERSPREIDER gelewer word by die aansluiters wat deur ESKOM verskaf moet word in die akkommodasie wat in klousule 16 genoem word, of by enige ander punt waartoe ooreengekom is.

15. VERKLAARDE SPANNING [EN TOEVOERGEHALTE]

15.1 Die elektrisiteit moet voorsien word teen 'n verklaarde spanning van 11 000,00 kV (Elf Duisend volt) tussen fases, onderworpe aan die bepalings van subklousule 1.2 van bylae 'A'.

16. AKKOMMODASIE VIR ESKOM SE TOERUSTING

16.1 Die VERSPREIDER moet op sy koste 'n perseel verskaf waartoe wedersyds ooreengekom is, en moet dit vir die duur van hierdie Ooreenkoms verskaf en dit in 'n goeie toestand hou, en ook sodanige akkommodasie, ingesluit strukture, wat ESKOM redelikerwys mag nodig hê om sy toerusting en apparaat in te huisves.

Genoemde akkommodasie moet tot die redelike bevrediging van ESKOM ontwerp, geleë en van geskikte toegang daartoe voorsien wees vir die doel van die oprigting en/of aansluiting, inspeksie, bedryf en instandhouding van ESKOM se toerusting en apparaat daarin.

16.2 ESKOM het die reg om, nadat hy die VERSPREIDER vooraf skriftelik kennis gegee het, genoemde akkommodasie waarin sy toerusting en apparaat geïnstalleer is, te gebruik om ander verbruikers te voorsien en, indien nodig, om op die VERSPREIDER 'n beroep te doen om dit te vergroot vir sodanige doel; maar die koste van enige vergroting van genoemde akkommodasie wat vereis word slegs vir die voorsiening van ander verbruikers, is vir ESKOM se rekening.

AFDELING D: REGTENS

17. VOLLEDIGE OOREENKOMS EN WYSIGING/ VERBREKING VAN BEPALINGS EN VOORWAARDES

17.1 Hierdie Ooreenkoms maak die enigste en volledige ooreenkoms tussen die partye uit en vervang alle vorige onderhandelinge, reëlings of ooreenkomste ten opsigte van die onderwerp van hierdie Ooreenkoms, behalwe aparte ooreenkomste of dokumente wat verband hou met regte van weg en/of serwitute.

17.2 Behoudens die bepalings van klousules 8 en 10 sal geen wysiging, verandering of afstanddoening van enige bepaling in hierdie Ooreenkoms, of instemming tot afwyking daarvan, op enige wyse van krag wees nie, tensy dit skriftelik bevestig en deur die partye onderteken is, en dan sal sodanige wysiging, verandering, afstanddoening of instemming slegs in een spesifieke geval van krag wees en vir die doel en in die mate waarvoor dit aangebring of verleen is. Verder moet 'n versuim, vertraging, verslapping of vergunning aan die kant van 'n party by die afdwing van 'n voorskrif van hierdie Ooreenkoms nie as 'n afstanddoening daarvan beskou of vertolk word nie.

17.3 Indien die VERSPREIDER in gebreke bly om ten volle aan 'n bepaling van hierdie Ooreenkoms te voldoen, is ESKOM daarop gereglig om die VERSPREIDER van sodanige versuim in kennis te stel, en indien die VERSPREIDER in gebreke bly om die versuim reg te stel binne 14 (veertien) dae na ontvangs van sodanige kennisgewing of, indien omstandighede dit regverdig, sodanige ander tydperk as waartoe die partye ooreenkom, mag ESKOM die grootmaat toevoer na die VERSPREIDER onverwyld beëindig en/of hierdie Ooreenkoms beëindig, sonder om afstand te doen aan 'n eis wat ESKOM mag hê vir elektrisiteit wat voorsien is of vir skade wat hy gely het deur die versuim aan die kant van die VERSPREIDER; met dien verstande egter dat indien die versuim van so 'n aard is dat dit na ESKOM se mening gevaarlik sou wees om voort te gaan met die grootmaat toevoer aan die VERSPREIDER, ESKOM die grootmaat toevoer kan beëindig sonder die voormelde vooraf kennisgewing (ESKOM moet die VERSPREIDER egter onverwyld in kennis stel van sy redes vir die beëindiging van die grootmaat toevoer). Die grootmaat toevoer moet herstel word so vinnig moontlik nadat die VERSPREIDER die versuim reggestel en die vereiste heraansluitingsbedrag betaal het.

18. REG(TE) VAN WEG

18.1 Wat betref die eiendom wat in klousule 2 genoem word, verleen die VERSPREIDER ESKOM gratis ewigdurende reg(te) van weg op 'n roete of roetes waaroor ooreengekom moet word, vir die bogrondse elektriese kraglyn(e) en/of ondergrondse elektriese kabel(s) wat ESKOM in verband met die elektrisiteitstoevoer na die installasie sal moet oprig, lê of installeer op of oor genoemde eiendom, en vir verlenging(s) van sodanige lyn(e) en/of kabel(s) na ander verbruikers van ESKOM. Indien die VERSPREIDER nie die eienaar van genoemde eiendom is nie, moet die VERSPREIDER van die eienaar van genoemde eiendom 'n gratis vergunning verkry van ewigdurende reg(te) van weg op genoemde roete of roetes, waaroor ooreengekom moet word, vir genoemde lyn(e) of kabel(s) en vir genoemde uitbreiding(s) van sodanige lyn(e) of kabel(s), en daardie vergunning moet die voorskrifte bevat wat in subklousule 18.2 mutatis mutandis uiteengesit word.

18.2 Indien ESKOM dit verlang, kan genoemde regte as notariële serwitute teen die titelaktes van die eiendom geregistreer word; en die VERSPREIDER onderneem om, indien hy genoemde eiendom voor registrasie van sodanige regte verkoop of van die hand sit, die persoon wat genoemde eiendom verkry, in kennis te stel van genoemde ewigdurende regte wat in subklousule 18.1 genoem word.

18.3 Genoemde regte moet insluit voorsiening vir toegang te alle redelike tye om ESKOM in staat te stel om enige of al ESKOM se toerusting te bedryf, in stand te hou, te herstel, te verwyder of te vervang.

18.4 Alle regskoste in verband met die uitoefening en registrasie van genoemde regte sal deur ESKOM gedra word.

18.5 Indien die VERSPREIDER van ESKOM verwag om die roete van bogrondse elektriese kraglyne en/of ondergrondse elektriese kabels oor genoemde eiendom of die posisie van ESKOM se toerusting of meters te verander, moet die koste wat deur ESKOM aangegaan moet word om die verandering of verwydering teweeg te bring, deur die VERSPREIDER gedra en vooruit betaal word, tensy 'n aparte ooreenkoms of dokument ten opsigte van enige sodanige lyn of kabel anders bepaal.

19. KENNISGEWINGS/ADRESSE

19.1 Enige kennisgewing, mededeling, versoek, eis of ander kommunikasie vir enige doel ingevolge hierdie Ooreenkoms moet skriftelik geadresseer wees - in die geval van die VERSPREIDER soos volg:

Stella Munisipaliteit
Posbus 82
STELLA
8650

gemerk vir die aandag van die Stadsklerk

en in die geval van ESKOM soos volg:

Posbus 606
KIMBERLEY
8300

gemerk vir die aandag van die
(Klantediens Area Bestuurder);

of aan sodanige ander adresse, of vir die aandag van sodanige ander persone of departement waarvan ESKOM en die VERSPREIDER mekaar van tyd tot tyd in kennis stel.

19.2 Alle kennisgewings, mededelings, versoeke, eise of ander kommunikasies, ingesluit rekeninge, sal deur die ander party as ontvang beskou word -

19.2.1 op die dag van aflewering indien dit per bode afgelewer word;

19.2.2 indien dit per gewone pos of geregistreerde pos afgelewer word, op die vyfde kalenderdag na die dag waarop dit gepos is, en in die geval van 'n rekening op die vyfde kalenderdag na die datum van die rekening;

19.2.3 indien dit per faksimilee gestuur is, of met enige ander elektroniese medium wat vir albei partye aanvaarbaar is, op die eerste werksdag na die datum van afsending.

19.3 Vir die doel van hierdie Ooreenkoms is die VERSPREIDER se domicilium citandi et executandi:

en ESKOM se domicilium citandi et executandi:

Megawatt Park
Maxwellrylaan
Sunninghill Uitbr 3
2199 SANDTON

Enige party kan sy bogenoemde domicilium verander deur skriftelike kennisgewing aan die ander party.

GETEKEN deur of namens die VERSPREIDER op 7 September 19 99

_____

_____

As Getuies:

1. _____

2. _____

GETEKEN vir en namens ESKOM op KIMBERLEY 19 15 Sept 1999

_____

_____

As Getuies:

1. _____

2. _____

BYLAE 'A'
(REV JUL.'99)

STANDAARD VOORWAARDES VIR VOORSIENING VAN ELEKTRISITEIT BY DIE GROOTMAAT

1. GEHALTE EN VORM VAN ELEKTRISITEIT WAT VOORSIEN MOET WORD

ESKOM sal aan die VERSPREIDER 'n betroubare en deurlopende elektrisiteitstoevoer voorsien en die toevoergehalte van die grootmaattoevoer handhaaf in ooreenstemming met die minimum standaarde wat voorgeskryf word in die Gerasionaliseerde Gebruikerspesifikasie vir Toevoergehalte ('NRS 048'), soos gewysig, wat deur die Suid-Afrikaanse Buro vir Standaarde uitgereik is.

Dit is egter nie vir ESKOM moontlik om te waarborg dat die deurlopendheid en spanningsgehalte van die grootmaattoevoer altyd onder alle omstandighede gehandhaaf sal word nie. Die plig rus daarom op die VERSPREIDER om by ESKOM vas te stel wat die aard is van die toevoerbeveiliging wat verskaf word, en die VERSPREIDER moet voldoende maatreëls tref om sy besigheid en sy distribusiestelsel te beveilig teen enige skade en/of verliese wat as gevolg van toevoeronderbrekings/toevoerverminderings of spanningsvervorming/kortstondige spanningsinsinkings in die grootmaattoevoer aan sy distribusiestelsel mag ontstaan.

1.1 DEURLOPENDHEID, VERLAGING OF VERANDERING VAN TOEVOER

1.1.1 Vir die doel van die doeltreffende werking en uitbreiding van ESKOM se distribusie- en/of transmissiestelsel en in noodgevalle het ESKOM die reg om die grootmaattoevoer na die VERSPREIDER tydelik te onderbreek, onderworpe aan die beperkings wat in NRS048 voorgeskryf word, maar ESKOM sal poog om sover moontlik die VERSPREIDER altyd voldoende vooraf kennis daarvan te gee.

1.1.2 ESKOM en die VERSPREIDER moet saamwerk om die VERSPREIDER se gedeelte van die las te bepaal wat hy sal verminder deur ESKOM se Lasvermindering- en/of Meganiese Lasafwerp- en/of Onderfrekwensie-lasafwerpskema, of ander metodes waartoe ooreengekom is, indien ESKOM 'n tekort aan ontwikkelingsvermoë en/of transmissievermoë sou ondervind.

1.2 VORM EN SPANNINGSREËLING

Elektrisiteit moet voorsien word as 'n driefasige wisselstroom teen 'n frekwensie van 50 Hz (vyftig hertz), onderworpe aan Regulasie 9(3) van die Elektrisiteitswet, en teen die verklaarde spanning wat in die elektrisiteitsvoorsieningsooreenkoms gespesifiseer word. Met verwysing na Regulasie 9(2)(b) van die Elektrisiteitswet, is dit 'n spesifiek ooreengekome voorsieningsvoorwaarde dat die maksimum persentasie waarmee die leweringspanning vir 'n tydperk van langer as tien agtereenvolgende minute van die verklaarde spanning mag verskil, 7,5% (sewe komma vyf persent) bo of onder die verklaarde spanning moet wees. In die geval van toevoere wat voorsien word teen 'n verklaarde spanning van minder as 500 volt is die maksimum toelaatbare afwyking soos bepaal in Regulasie 9(2)(a) van die Elektrisiteitswet.

1.3 ESKOM SE AANSPREEKLIKHEID

ESKOM is nie aanspreeklik vir skade, uitgawes of koste wat die VERSPREIDER ondervind as gevolg van 'n vermindering van of onderbreking in die grootmaattoevoer, of 'n verandering van spanning of frekwensie, of versuim om elektrisiteit te voorsien nie, tensy genoemde vermindering, onderbreking, verandering of versuim die gevolg is van ESKOM se nalatigheid.

Indien ESKOM aanspreeklik is vir skade wat die VERSPREIDER gely

3. TOERUSTING EN APPARAAT WAT DEUR ESKOM VERSKAF MOET WORD

3.1 Alle toerusting en apparaat tot by die toevoerpunt(e) gelee by die leweringspunt moet deur ESKOM verskaf, geïnstalleer, bedryf en in stand gehou word.

3.2 Die VERSPREIDER mag nie, behalwe in noodgevalle of op versoek van of ingevolge 'n spesiale magtiging van ESKOM, die apparaat van ESKOM bedryf of daaraan peuter nie.

3.3 Nieteenstaande betalings wat die VERSPREIDER aan ESKOM gedoen het ten opsigte van die kapitaaluitgawes en koste wat ESKOM aangegaan het om die grootmaatelektrisiteitstoevoer aan die VERSPREIDER beskikbaar te stel, is en bly alle materiaal, toerusting en apparaat wat ingevolge die elektrisiteitsvoorsieningsooreenkoms deur ESKOM opgerig of geïnstalleer is, ESKOM se eiendom.

ESKOM het die reg om sodanige elektriese toerusting en apparaat te gebruik vir die voorsiening van ander verbruikers, en om by die beëindiging van die elektrisiteitsvoorsieningsooreenkoms die perseel/eiendom van die VERSPREIDER te betree en alle sodanige materiaal, toerusting en apparaat daarvandaan te verwyder.

4. APPARAAT WAT DEUR DIE VERSPREIDER VERSKAF MOET WORD

4.1 Die VERSPREIDER moet op sy eie koste alle kringe wat nodig is om sy elektriese distribusiestelsel met die toevoerpunt(e) te verbind en alle apparaat wat nodig is vir die beheer van sodanige kringe, tot redelike bevrediging van ESKOM verskaf, oprig, aansluit, bedryf en in stand hou, insluitende doeltreffende apparaat en skakelting vir die beveiliging van ESKOM se apparaat teen oorbelasting, foute en weerlig op die VERSPREIDER se elektriese distribusiestelsel. Daar moet met ESKOM ooreengekom word oor die beveiligingstellings van

het as gevolg van sodanige lasvermindering of 'n onderbreking in die grootmaattoevoer, of 'n verandering in spanning of frekwensie of 'n versuim om elektrisiteit te voorsien, is sodanige aanspreeklikheid beperk tot regstreekse skade, uitgesluit voortvloeiende skade. Voortvloeiende skade sluit in, maar is nie beperk tot produksieverlies en winsverlies.

2. BELEMMERING VAN ANDER TOEVOERE, FASEBALANS EN ARBEIDSFAKTOR

2.1 Die VERSPREIDER moet die grootmaattoevoer so gebruik dat dit nie 'n doeltreffende en ekonomiese toevoer na ander verbruikers van ESKOM belemmer nie en moet te alle tye verseker dat spanningsvervorming wat deur sy las of toerusting, of deur dié van sy eindgebruikers veroorsaak word, nie sodanige waardes oorskry as wat ESKOM van tyd tot tyd bepaal in ooreenstemming met NRS048, soos gewysig.

2.2 Die VERSPREIDER se las moet tot bevrediging van ESKOM oor die drie fases gebalanseer wees.

2.3 Die arbeidsfaktor by elke toevoerpunt mag in geen lastoestande voorloop nie, tensy anders met ESKOM ooreengekom.

Die arbeidsfaktor van die las by elke toevoerpunt mag nie minder as 0,85 (nul komma agt vyf) naloop nie. Indien die arbeidsfaktor minder as 0,85 (nul komma agt vyf) is, sal die VERSPREIDER op sy eie koste geskikte apparaat moet installeer om te verseker wat daar aan hierdie vereiste voldoen word.

Vir die doel hiervan word 'arbeidsfaktor' omskryf as die kWh gedeel deur die kVAh (waar die kVAh gelyk is aan die vierkantswortel van die som van die kWh kwadraat en die kvarh kwadraat) gemeet oor dieselfde integrerende aanvraagtydperk.

die VERSPREIDER se fout- en oorbelastingtoerusting ten einde geskikte beveiligingsgradering te verseker.

ESKOM is daarop geregtig om regstreekse verlies of uitgawes wat deur ESKOM aangegaan is as gevolg van skade aan ESKOM se installasie en toerusting of as gevolg van versuim van die VERSPREIDER om aan die voorskrifte van hierdie klousule te voldoen, van die VERSPREIDER te verhaal.

4.2 Die VERSPREIDER se apparaat moet 'n goeie ontwerp en samestelling hê, moet behoorlik geïnstalleer wees en moet deur die VERSPREIDER in stand gehou word.

5. BETALING VAN ELEKTRISITEITSREKENINGE

5.1 Elektrisiteitsrekeninge vir alle gelde wat ingevolge die elektrisiteits-voorsieningsooreenkoms betaalbaar is, moet aan die VERSPREIDER gestuur word so spoedig moontlik na die einde van elke maand (soos gedefinieer in ESKOM se Standaardpryslys), en elke rekening is verskuldig en betaalbaar op die datum waarop die rekening deur die VERSPREIDER ontvang word, welke datum vir die doeleindes van die ooreenkoms beskou word as nie later nie as 5 (vyf) dae na die datum van die rekening.

5.2 Indien betaling nie ontvang word binne 'n tydperk van 10 (tien) dae na die datum waarop die rekening ingevolge subklousule 5.1 verskuldig en betaalbaar geword het, kan ESKOM die toevoer na die VERSPREIDER staak en/of die elektrisiteitsvoorsieningsooreenkoms beëindig nadat hy die VERSPREIDER 14 (veertien) dae skriftelike kennis gegee het. Die uitstaande bedrag is rentedraend, maandeliks saamgestel, van die vervaldatum tot die datum van betaling, teen 'n jaarlikse koers wat gelyk is aan die heersende prima oortrekkingskoers wat deur Eerste Nasionale Bank van Suid-Afrika Beperk gehef word, plus 5% (vyf persent).

5.3 Indien die VERSPREIDER 'n rekening betwis, het hy nie die reg om sy skuld te verlaag of te verreken of om betaling daarvan uit te stel tot na die tydperk wat in subklousule 5.2 toegelaat word nie; maar die saak in geskil moet so spoedig moontlik daarna opgelos word en sodanige rekening moet aangepas word indien nodig. Indien daar egter 'n onmiskenbare fout is, is die VERSPREIDER daarop geregtig om in plaas van die bedrag wat geëis word, 'n bedrag te betaal wat gelyk is aan die gemiddelde van die rekeninge vir die voorafgaande drie opeenvolgende maande.

5.4 Indien daar, as gevolg van 'n menslike fout, van die VERSPREIDER verkeerdelik 'n bedrag of bedrae gehef word wat ingevolge die elektrisiteitsvoorsieningsooreenkoms betaalbaar is, moet ESKOM die VERSPREIDER in kennis stel van die korrekte bedrag of bedrae wat betaalbaar is en die redes daarvoor verstrek.

Indien daar van die VERSPREIDER te veel gehef word, moet ESKOM so gou moontlik óf die VERSPREIDER se elektrisiteitsrekening krediteer óf die volle bedrag wat te veel gehef is aan die VERSPREIDER terugbetaal. Genoemde bedrag is rentedraend, maandeliks saamgestel, van die datum wat die fout voorgekom het tot die datum van betaling, teen 'n jaarlikse koers wat gelyk is aan die heersende prima oortrekkingskoers wat deur Eerste Nasionale Bank van Suid-Afrika Beperk gehef word.

Indien daar van die VERSPREIDER te min gehef word, moet ESKOM die VERSPREIDER se elektrisiteitsrekening debiteer met die volle bedrag wat te min gehef is, en sodanige bedrag is deur die VERSPREIDER betaalbaar volgens die bepalings waartoe ESKOM instem; onderworpe aan die voorbehoud dat die VERSPREIDER die bedrag mag betaal oor 'n tydperk eweredig aan die bedrag wat te min gevra is, maar so 'n tydperk sal beperk wees tot 'n maksimum tydperk van 6 (ses) maande. Die uistaande bedrag is rentedraend, maandeliks saamgestel, van die datum wat die VERSPREIDER se elektrisiteitsrekening gedebiteer is tot die datum van betaling, teen 'n

jaarlikse koers wat gelyk is aan die heersende prima oortrekkingskoers wat deur Eerste Nasionale Bank van Suid-Afrika Beperk gehef word.

5.5 'n Sertifikaat met die handtekening van 'n behoorlik gemagtigde werknemer van ESKOM daarop wat 'n uiteensetting gee van die bedrag wat op enige tydstip ingevolge die ooreenkoms deur die VERSPREIDER verskuldig is, is, onderworpe aan 'n onmiskenbare fout, vir die doel van insolvensie en geregtelike stappe en die verkryging van voorlopige vonnis voldoende en prima facie bewys van die VERSPREIDER se skuld.

6. METING VAN GROOTMAATTOEVOER

6.1 Geskikte meettoerusting vir die meting van die elektrisiteit wat deur ESKOM aan die VERSPREIDER voorsien word, moet deur ESKOM verskaf, geïnstalleer en in stand gehou word.

6.2 Die hoeveelhede elektriese energie en krag wat voorsien word, moet deur ESKOM gemeet en aangeteken word en elektrisiteitsrekeninge moet maandeliks op grond van sodanige metings gelewer word. Die rekords van sodanige metings moet te alle redelike tye oop wees vir inspeksie deur die VERSPREIDER of sy gemagtigde verteenwoordiger.

6.3 Wanneer 'n meter/registreerder nie geregistreer het nie, of wanneer ESKOM se rekords toon dat die lesing onbetroubaar is as gevolg van 'n foutiewe meter of bybehorende toerusting, moet 'n redelike skatting van die korrekte hoeveelheid vir elkeen van die betrokke maande deur ESKOM gemaak word, en die rekening(e) vir sodanige tydperk moet op sodanige skatting gebasseer word; met dien verstande dat waar die VERSPREIDER sy ele meter(s) geïnstalleer het, ESKOM die aanduidings van sodanige meter(s) in berekening moet bring by die skatting van die korrekte hoeveelheid of hoeveelhede.

6.4 Waar duplikaatmeters/-registreerders geïnstalleer is, moet die gemiddelde van die lesings van die hoof- en kontrolemeters/ -registreerders gebruik word om die bedrag te bereken. Indien die lesings te eniger tyd met meer as 2% (twee persent) verskil van die gemiddelde van die twee lesings, en ESKOM se rekords toon dat die teenstrydigheid aan slegs een meter/registreerder toegeskryf kan word, moet die lesing van die ander meter/registreerder geneem word vir die lewering van rekeninge. Indien die teenstrydigheid egter die gevolg kan wees van die onakkuraatheid van albei meters/registreerders, moet 'n redelike skatting deur ESKOM gemaak word van die korrekte hoeveelheid. Sodanige meters/ registreerders moet so spoedig moontlik getoets word en die rekening moet, nadat die onakkuraatheid vasgestel is, aangepas word in ooreenstemming met die voorskrifte van klousule 7.

7. TOETS VAN METERS/MEETINSTALLASIES

7.1 ESKOM het die reg om die meetinstallasie te eniger tyd te toets, en indien sodanige toets toon dat 'n meter/registreerder 'n onakkuraatheid het van meer as 2% (twee persent) vinnig of stadig, of indien die algehele meetinstallasie 'n onakkuraatheid van meer as 5% (vyf persent) het, moet die onakkuraatheid, by afwesigheid van strydige getuienis, beskou word as bestaande sedert die voorlaaste meterleesdatum voor die datum van toetsing, en die rekening(e) moet dienooreenkomstig aangepas word so spoedig moontlik nadat die onakkuraatheid vasgestel is.

7.2 Indien die VERSPREIDER ESKOM binne 30 (dertig) dae na die lewering van 'n maandelikse elektrisiteitsrekening skriftelik versoek om die meter(s)/ registreerder(s) en/of die meetinstallasie(s) te toets, sal ESKOM dit doen sodra die VERSPREIDER die toepaslike metertoetsgeld(e) betaal het en/of die geraamde koste wat ESKOM sal aangaan om die meetinstallasie(s) te toets, en indien sodanige toets toon dat 'n meter/registreerder 'n onakkuraatheid van meer as

2% (twee persent) het of dat die algehele meetinstallasie 'n onakkuraatheid van meer as 5% (vyf persent) het, moet die onakkuraatheid, by afwesigheid van teenstrydige getuienis, beskou word as bestaande sedert die begin van die maand waarvoor sodanige rekening gelewer is, en die rekening(e) moet dienooreenkomstig aangepas word so gou as moontlik nadat die onakkuraatheid vasgestel is, en voornoemde geld(e) en/of koste wat vooruitbetaal is, moet aan die VERSPREIDER terugbetaal word.

Indien die toets 'n onakkuraatheid van minder as 2% (twee persent) en/of 5% (vyf persent) onderskeidelik toon, bly die rekening(e) soos gelewer en voornoemde geld(e) en/of koste wat deur die VERSPREIDER betaal is, moet aan ESKOM verbeur word.

o O o

ESKOM

BYLAE 'B'

'STANDARDRATE'-PRYSE - 1999

Vir elektrisiteit wat in die vorm van driefasewisselstroom teen 'n frekwensie van 50 hertz en 'n ooreengekome spanning wat in die omgewing beskikbaar is, voorsien word aan 'n verbruiker wie se aangemelde maksimum aanvraag 25 kilowatt / kilovolt-ampère of meer is, uitgesonderd toevoere wat ingevolge die 'Nightsave'-, 'Megaflex'-, 'Miniflex' en 'Ruraflex'-tariewe gelewer word, is een van die volgende twee groepe heffings van toepassing:

1. VIR TOEVOERE WAT GELEWER WORD VAN ENIGE NETWORK BUITEN EEN WAT DEUR ESKOM AS 'N LANDELIKE RETIKULASIENETWERK AANGEWYS IS:

   (a) 'n Basiese heffing van R157,50 (+ BTW = R179,55) per maand vir elke leweringspunt, welke heffing elke maand betaalbaar is of elektrisiteit gebruik word of nie.

   (b) 'n Aanvraagheffing vir elke kilovolt-ampère van die maksimum aanvraag wat gedurende die maand voorsien is, gehef teen 'n koers van R36,25 (+ BTW = R41,33); met dien verstande dat verbruikers wat voorheen voorsien is kragtens ESKOM se Lisensie vir die Rand en Oranje-Vrystaat, 1983, met elektrisiteitsvoorsieningsooreenkomste wat oorspronklik voor 1 Januarie 1984 gesluit is, die reg het om hul maksimum aanvrae in kilowatt te laat meet, tensy en totdat sodanige verbruiker versoek het dat sy maksimum aanvraag in kilovolt-ampère gemeet moet word, word 'n aanvraagheffing vir die maksimum aanvraag wat gedurende die maand voorsien is, gehef teen 'n koers vir elke kilowatt van R40,58 (+ BTW = R46,26).

   (c) 'n Energieheffing teen 'n koers van 6,54 sent (+ BTW = 7,46c) per kilowatt-uur (kWh) elektriese energie gedurende die maand voorsien.

   (d) Indien die som van die bedrae van die aanvraagheffing in paragraaf (b) hierbo en die energieheffing in paragraaf (c) hierbo, gedeel deur die getal kWh gedurende die maand voorsien, meer as 30,26 sent (+ BTW = 34,50c) per kWh is, dan word die aanvraagheffing in paragraaf (b) hierbo, tesame met die energieheffing in paragraaf (c) hierbo, vir die betrokke maand gekanselleer en vervang deur 'n heffing teen die koers van 30,26 sent (+ BTW = 34,50c) per kWh elektriese energie gedurende die maand voorsien.

   (e) Die som van die bedrae ingevolge paragrawe (b) en (c) hierbo of (d) hiervan vasgestel, watter een ook al van toepassing is, is onderworpe aan 'n persentasie korting vir toevoerspanning soos volg :-

   - Nul indien die toevoer teen 'n nominale spanning minder as 500 volt gelewer word.
   - 3,30% indien die toevoer gelewer word teen 'n nominale fase-tot-fase-spanning teen en hoër as 500 volt en minder as 66 000 volt.

- 6,55% indien die toevoer gelewer word teen 'n nominale fase-tot-fase-spanning teen en vanaf 66 000 volt tot en met 132 000 volt.

- 10,75% indien die toevoer gelewer word teen 'n nominale fase-tot-fase-spanning bo 132 000 volt

(f) Die som vir die maand van die bedrae in paragrawe (b) en (c) hierbo of in (d) hierbo genoem, watter een ook al van toepassing is, minus die korting in paragraaf (e), is onderworpe aan 'n transmissie-persentasietoeslag soos volg :-

(1) Nul vir leweringspunte wat tot en met 'n lineêre afstand van 300 kilometer van Johannesburg geleë is.

(2) 1% vir leweringspunte wat 'n lineêre afstand van meer as 300 en tot en met 600 kilometer van Johannesburg geleë is.

(3) 2% vir leweringspunte wat 'n lineêre afstand van meer as 600 en tot en met 900 kilometer van Johannesburg geleë is.

(4) 3% vir leweringspunte wat meer as 'n lineêre afstand van 900 kilometer van Johannesburg geleë is.

2. VIR TOEVOERE WAT VAN ENIGE LANDELIKE RETIKULASIENETWERK AF GELEWER WORD:

(a) 'n Basiese heffing van R157,50 (+ BTW = R179,55) per maand vir elke leweringspunt, welke heffing elke maand betaalbaar is of elektrisiteit gebruik word of nie.

(b) 'n Aanvraagheffing vir elke kilovolt-ampère van die maksimum aanvraag wat gedurende die maand voorsien is, gehef teen 'n koers van R38,34 (+ BTW = R43,71); met dien verstande dat verbruikers wat voorheen voorsien is kragtens ESKOM se Lisensie vir die Rand en Oranje-Vrystaat, 1983, met elektrisiteitsvoorsieningsooreenkomste wat oorspronklik voor 1 Januarie 1984 gesluit is, die reg het om hul maksimum aanvraag in kilowatt te laat meet. Tensy en totdat sodanige verbruiker versoek het dat sy maksimum aanvraag in kilovolt-ampère gemeet moet word, word 'n aanvraagheffing vir die maksimum aanvraag wat gedurende die maand voorsien is, gehef teen 'n koers vir elke kilowatt van R42,92 (+ BTW = R48,93).

(c) 'n Energieheffing teen 'n koers van 6,93 sent (+ BTW = 7,90c) per kilowatt-uur (kWh) elektrisie energie gedurende die maand voorsien.

(d) Indien die som van die bedrae van die aanvraagheffing in paragraaf (b) hierbo en die energieheffing in paragraaf (c) hierbo, gedeel deur die getal kWh gedurende die maand voorsien, meer as 32,01 sent (+ BTW = 36,49c) per kWh is, dan word die aanvraagheffing in paragraaf (b) hierbo, tesame met die energieheffing in paragraaf (c) hierbo, vir die betrokke maand gekanselleer en vervang deur 'n heffing teen die koers van 32,01 sent (+ BTW = 36,49c) per kWh elektriese energie gedurende die maand voorsien.

(e) Die som van die bedrae ingevolge paragrawe (b) en (c) hierbo of (d) hiervan vasgestel, watter een ook al van toepassing is, is onderworpe aan 'n persentasiekorting vir toevoerspanning soos volg :-

- Nul indien die toevoer teen 'n nominale spanning minder as 500 volt gelewer word.

- 3,30% indien die toevoer gelewer word teen 'n nominale fase-tot-fase-spanning teen en hoër as 500 volt en nie meer as 22 000 volt.

(f) Die som vir die maand van die bedrae in paragrawe (b) en (c) hierbo of in (d) hierbo genoem, watter een ook al van toepassing is, minus die korting in paragraaf (e), is onderworpe aan 'n transmissie-persentasietoeslag soos volg:-

(1) Nul vir leweringspunte wat tot en met 'n lineêre afstand van 300 kilometer van Johannesburg geleë is.

(2) 1% vir leweringspunte wat 'n lineêre afstand van meer as 300 en tot en met 600 kilometer van Johannesburg geleë is.

(3) 2% vir leweringspunte wat 'n lineêre afstand van meer as 600 en tot en met 900 kilometer van Johannesburg geleë is.

(4) 3% vir leweringspunte wat meer as 'n lineêre afstand van 900 kilometer van Johannesburg geleë is.

NOTA:

Die standaardpryse soos in hierdie lys gespesifiseer, sluit belasting op toegevoegde waarde (BTW) teen die voorgeskrewe belastingkoers van 14% in.

Die heffings en koerse uitgesonderd BTW word ook getoon aangesien dit gebruik word in die maandelikse elektrisiteitsrekening in die berekening van die individuele tariefkomponente (bv. basiese heffing, maksimum aanvraagheffing, energieheffing en reaktiewe energieheffing) voordat BTW bygetel word. Dit word gedoen vir die gerief van die verbruiker teneinde die eis van insetbelasting te vergemaklik waar toepaslik en voorsiening te maak vir gedeeltelike vrystelling en nulkoers aanslag.

Alle maandelikse kapitaalheffings sowel as spesiale heffings vir dienste gelewer is onderworpe aan BTW teen die voorgeskrewe belastingkoers.

--oOo--

From: Linda Annandale
To: Marlene Venter; mokoloc@naledi.local.gov.za; ncobom@naledi.local.gov.z...
Date: 2010/08/17 04:04 PM
Subject: Stella - 6757742615 - Notified maximum demand - exceed
Attachments: 6757742615_675774227704.pdf; nmdrules.pdf; application form.xls

Good day,

Your current notified maximum demand with Eskom is 1200kVA.

Please take note that you are exceeding your notified maximum demand:

Your demand profile for 2010 is:

Jan - 1179.69 kVA
Feb - 1198.35 kVA
Mrch - 1163.72 kVA
April - 1155,39 kVA
May - 1188.27 kVA
June - 1297.73 kVA
July - 1260.44 kVA

There is a penalty payable when you exceeding your notified maximum demand, which will be increasing on a monthly basis. Refer to attached file - nmdrules point 2.1.
Your Excess NAC Charge for July 2010 is 241.76 kVa ((1260.43kVA - 1200kVA)*4 (4th event) * R/kVA.

Please complete the application form (attached) urgently in order to start with the process for upgrading your notified maximum demand.

If there is any uncertainties, please do not hesitate to contact me.

Thanks

Kind regards
Linda.

Linda Annandale
Customer Service Klerksdorp
Central Region
018-4646609 (Tel) (8104)
018-4646743 (Fax) (8104)

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TRANSFER AGREEMENT

ESKOM

and

TOWN COMMITTEE OF MUHUDI

TRANSFER AGREEMENT

1. PARTIES

1.1 ESKOM

and

1.2 TOWN COMMITTEE OF HUHUDI

2. INTERPRETATION AND DEFINITIONS

In this AGREEMENT unless the context otherwise indicates:

2.1 Clause headings have been provided for convenience only and will be ignored in the interpretation of this AGREEMENT.

2.2 Words and expressions defined in the Republic of South Africa Electricity Act 41 of 1987 shall bear the same meaning when used in this AGREEMENT.

The following words shall bear the meanings set out opposite them below:

2.3 "ELECTRICITY CONTROL BOARD"

The Electricity Control Board referred to in Section 2 of the Electricity Act 41 of 1987.

2.4 ESKOM

A juristic person created in terms of the ESKOM Act No 40 of 1987.

2.5 "NETWORK"

The electricity distrubution network as developed by ESKOM to supply power to the consumers within the TRANSFER AREA, excluding PUBLIC LIGHTING.

2.6 "EXISTING NETWORK"

The NETWORK presently being used by the TOWN COUNCIL of VRYBURG for the power supply of street lights, high mast lights and public lighting.

2.7 "PUBLIC LIGHTING"

All the street lights and high mast lights together with all cables, conductors and all equipment necessary for the operation of this system.

2.8 "TOWN COUNCIL"

The TOWN COUNCIL of VRYBURG, a local authority constituted in terms of the Local Authorities Act, Act No 20 of 1974.

2.9 "TOWN COMMITTEE"

The TOWN COMMITTEE OF HUHUDI, a Black local authority constituted in terms of the Black Local Authorities Act, Act No 102 of 1982.

2.10 "TRANSFER AREA"

The geographical jurisdiction area of the TOWN COMMITTEE, as amended from time to time by the Administrator of the Cape Province, in which ESKOM will take over the distribution and supply of electricity.

2.11 "TRANSFER DATE"

1 OCTOBER 1992 ..... subject to the provisions of clause 4.6 below.

2.12 "RE-TRANSFER DATE"

Means the date on which the TOWN COMMITTEE (or any legal successor of the TOWN COMMITTEE) will resume responsibility for the supply and distribution of electricity.

2.13 "RE-TRANSFER PRICE"

The negotiated price of which the NETWORK plus all exentions to the NETWORK will be RE-TRANSFERRED to the TOWN COMMITTEE.

3. INTRODUCTION

3.1 The parties are desirous of enabling most, if not all residents of MUHUDI in the TRANSFER AREA access to electricity.

3.2 The TOWN COUNCIL has at present the sole right to supply electricity in the TRANSFER AREA in accordance with the provisions of Section 15 of the Electricity Act No 41 of 1987.

3.3 The TOWN COUNCIL in conjunction with the TOWN COMMITTEE has decided to request ESKOM to supply and distribute electricity within the TRANSFER AREA including the related customer administration such as meter reading and billing.

3.4 ESKOM shall take over the responsibility at the TRANSFER DATE within the TRANSFER AREA for the purpose of distributing electricity, to individual consumers and residents of MUHUDI and the TOWN COMMITTEE within the TRANSFER AREA but will not be responsible for the operation, maintenance and upgrading costs or installation of any additional PUBLIC LIGHTNING and cost of power consumed in respect of PUBLIC LIGHTING unless otherwise agreed between the parties.

3.5 ESKOM shall, at its own discretion, extend, improve or replace the NETWORK in order to grant as many residents of MUHUDI as possible access to electricity.

3.6 The EXISTING NETWORK remains the property of the TOWN COUNCIL and will be utilised for public and steet lighting.

4. TRANSFER OF ELECTRICITY UNDERTAKING

4.1 ESKOM shall from the TRANSFER DATE take charge of the development, operation, extension and maintenance of the NETWORK in the TRANSFER AREA and shall provide an electricity supply service to the residents of MUHUDI and to the TOWN COMMITTEE including future extensions to the TRANSFER AREA.

4.2. The TOWN COUNCIL and the TOWN COMMITTEE hereby irrevocably approves and effects the cession and assignment to ESKOM of the sole right to supply electricity within the TRANSFER AREA including any future extensions thereto without any limitation, restriction or pre-condition and shall effect the necessary legislation and render all other necessary assistance to give effect to this clause.

4.3 The TOWN COUNCIL shall prior to the TRANSFER DATE make all the necessary arrangements to be released from any of its obligations to supply existing consumers in the TRANSFER AREA.

4.4 The TOWN COUNCIL shall from the TRANSFER DATE have no further obligation in respect of the supply of electricity in the TRANSFER AREA.

4.5 It shall be a condition precedent to this AGREEMENT that the approval for the take-over of the licenced area be obtained from the Electricity Control Board prior to the TOWN COUNCIL transferring its undertaking to ESKOM.

4.6 Should the condition precedent contained in Clause 4.5 not be fulfilled by the TRANSFER DATE, the TRANSFER DATE shall then be postponed to a date which is 30 (thirty) days from the date on which the condition precedent is eventually fulfilled. This contract will become null and void and have no effect between the parties if the condition precedent is not fulfilled within 3 months from the specific date stipulated in Clause 2.10.

5. ACKNOWLEDGEMENTS AND UNDERTAKINGS

5.1 The TOWN COUNCIL and the TOWN COMMITTEE shall:

5.1.1 hand over to ESKOM the sole responsibility to supply electricity within the TRANSFER AREA on the TRANSFER DATE.

5.1.2 provide ESKOM with all the technical and administrative information which they have at their disposal regarding the creation of the NETWORK;

5.1.3 indemnify ESKOM and hereby does so against all claims, losses and expenses by or against the TOWN COMMITTEE of whatever nature and description arising out of any cause whatsoever pertaining to any existing supply contracts or other contracts prior to the TRANSFER DATE;

5.1.4 transfer at no cost all title deeds, servitudes or other similar rights in terms of which they may effect improvements and conduct electricity on or over particular land situated within the TRANSFER AREA;

5.1.5 grant ESKOM at no cost, all future rights-of-way, servitudes, permissions to occupy and similar rights that may be reasonably required by ESKOM for the creation of the NETWORK and shall furthermore render all necessary assistance in obtaining such rights, attest all necessary documents and complete all such formalities where required;

5.1.6 not after the TRANSFER DATE offer as security for whatever purpose the NETWORK or any of the assets or equipment of the EXTENDED NETWORK and shall not do anything which may harm or affect the status of the NETWORK;

5.2 ESKOM shall from the TRANSFER DATE;

5.2.1. have the sole right to own, use, operate, maintain, alienate, discard and replace the NETWORK;

5.2.2 indemnify the TOWN COMMITTEE and hereby does against any loss, claim, demand, proceeding, damage and expense of whatsoever nature in respect of injury or death of any person or loss or damage to any property of any person occurring after the TRANSFER DATE and arising directly from the activities of ESKOM in the TRANSFER AREA;

5.2.3 comply with all legislation and regulatory requirements in respect of the right to supply electricity within the TRANSFER AREA and the NETWORK;

5.2.4 ESKOM will, at the written request of the TOWN COMMITTEE, operate the PUBLIC LIGHTING, maintain, replace, upgrade or install same from time to time, as well as supply power at the cost of the TOWN COMMITTEE;

5.2.5 in the event of the TOWN COMMITTEE wishing to transfer or second any of the existing staff in the electricity department to ESKOM such transfer or secondment has to be negotiated with ESKOM and initiated not later than 30 (thirty) days from the TRANSFER DATE. ESKOM shall not be obliged to appoint or accept secondment of any staff and will in its own discretion decide whether ESKOM could accommodate any of the staff usefully taking, inter alia, into consideration own staffing levels as well as the calibre and levels of competency of the TOWN COMMITTEE staff;

5.2.6 ESKOM shall determine the tariff(s) to be paid by the customers having regard to any special circumstances of any consumer or class of consumers, which ever may be applicable;

5.2.6.1 ESKOM shall supply the TOWN COMMITTEE with electricity for its own consumption and for PUBLIC LIGHTING. The consumption shall be metered separately and paid for, to ESKOM, at an applicable tariff determined from time to time by ESKOM or as otherwise agreed to.

6. OUTSTANDING BULK AND CONSUMER ACCOUNTS

6.1 ESKOM shall not have any liability in respect of any ESKOM or other bulk supply or consumer electricity accounts which are outstanding and unpaid at the TRANSFER DATE.

6.2 The TOWN COMMITTEE shall remain responsible for the due payment of all amounts unpaid in respect of the ESKOM bulk supply or consumer electricity accounts at the TRANSFER DATE.

6.3 Existing consumer electricity accounts shall not be taken over by ESKOM.

6.4 The TOWN COUNCILSshall refund deposits or connection fees to exisiting consumers after a reconciliation of the electricity accounts. The TOWN COUNCIL shall not withhold such monies as a set-off against other monies owing to the TOWN COUNCIL.

7. RISK, RATES, TAXES AND LEVIES

7.1 The risk in and to the NETWORK shall pass to ESKOM on the TRANSFER DATE, from which date ESKOM shall be liable for the payment of all rates, taxes, levies or other charges payable in respect of the NETWORK.

8. NOTIFICATION TO CONSUMER

8.1 The TOWN COMMITTEE shall at least thirty (30) days before the TRANSFER DATE notify its consumers within the TRANSFER AREA that:

8.1.1 The TOWN COMMITTEE, TOWN COUNCIL and ESKOM have agreed, that ESKOM will be responsible for the supply of electricity in the TRANSFER AREA as from the TRANSFER DATE;

8.1.2 all consumers will be required to negotiate and enter into new contracts with ESKOM for the supply of electricity;

9. CONSIDERATION

9.1 In consideration for the right to trade within the TRANSFER AREA, ESKOM undertakes to pay the TOWN COUNCIL monthly in arrears a fee of 3% (three percentum) of the total monthly revenue, excluding VAT, collected in respect of Power Sales, for the duration of this agreement.

10. DURATION

10.1 This AGREEMENT shall become effective upon signature thereof and shall endure indefinitely until terminated by either party in terms of this clause 10.

10.1.1 No party hereto shall have the right to terminate the AGREEMENT without the written consent of the other which consent shall not be unreasonably withheld.

10.1.2 The party wishing to terminate the AGREEMENT shall give the other 6 (six) months written notice of its intention to do so.

10.1.3 In the event of such termination, the EXTENDED NETWORK shall become the property of the TOWN COMMITTEE subject to the TOWN COMMITTEE, paying ESKOM an amount equal to the negotiated price taking into consideration the factors set out in clause 10.2.

10.2 In the event of a Local Authority wishing to or a Statutory Authority being instituted to take responsibility for the supply of electricity within the TRANSFER AREA Eskom shall transfer the right to supply as well as the extended network at the RE-TRANSFER PRICE to such Authority subject thereto that it will be a viable proposition to transfer at such price. The RE-TRANSFER PRICE will be negotiated taking into account all capital expended on the NETWORK subsequent to the TRANSFER DATE plus interest charges thereon less operating contribution.

11. ASSIGNMENT

11.1 The provisions of this AGREEMENT will automatically inure to any legal successors of the TOWN COMMITTEE and ESKOM but may not be assigned by either party to any other person without the written consent of the other party.

12. ENTIRE AGREEMENT

12.1 This AGREEMENT contains all the provisions agreed to by the parties relating to the subject-matter of the AGREEMENT and the parties waive the right to rely on any alleged provision or representation not contained in this AGREEMENT.

12.2 This AGREEMENT supercedes any other AGREEMENT whether written, oral or tacit, entered into by the parties and relating to the same or similar subject-matter.

13. VARIATION, CANCELLATION AND WAIVER

No AGREEMENT varying, adding to, deleting from, or cancelling this AGREEMENT, and no waiver of any right under this AGREEMENT, will be effective unless reduced to writing and signed on behalf of the parties.

14. BREACH

If either of the parties is in breach of any material term of this AGREEMENT, the other party may by notice in writing call upon that party to remedy the breach within 30 (thirty) days. If the breach remains unremedied after the applicable period, the other party may terminate this AGREEMENT on further written notice to the party in breach without prejudice to any rights in terms of this AGREEMENT or at law.

15. APPLICABLE LAW

This AGREEMENT will be interpreted in accordance with the law of the Republic of South Africa.

16. COSTS

16.1 Each party will bear its own legal and other costs incidental to the drafting, negotiation and conclusion of this AGREEMENT.

16.2 Any stamp duty or costs levied in respect of this AGREEMENT shall be paid by ESKOM.

17. NOTICES AND ADDRESSES

17.1 The parties choose the following as physical addresses at which legal documents and notices relating to the AGREEMENT or to any dispute or other matter incidental to it, may be delivered or served:

ESKOM:
Trust Centre
66 Jones Street
KIMBERLEY

TOWN COMMITTEE OF HUHUDI:
c/o P O Box 35
VRYBURG 8600

17.2 Written notices contemplated in this AGREEMENT may alternatively be dispatched by one party to the other by registered mail or by facsimile or by telex as follows:

ESKOM:
P O Box 606
KIMBERLEY 8300
Fax No. (0531) 805729

TOWN COMMITTEE OF HUHUDI:
Market Street
VRYBURG 8600

17.3 Notice will deemed to have been given:

17.3.1 14 (fourteen) days after posting of registered mail;

17.3.2 if delivered by hand, at the time of delivery;

17.3.3 on dispatch if successfully transmitted by facsimile.

17.4 Where a party changes its address or other communication details as set out above, notice will be given in writing to the other party within 14 (fourteen days) of the change.

SIGNED AT ...VRYBURG..... ON THIS ...14... DAY OF .AUGUST.....
1992.

WITNESSES:

1. _____ _____
ESKOM

2. _____

E J LOCK, ELECTRIFICATION MANAGER, ESKOM, KIMBERLEY
Name and capacity of signatory

SIGNED AT ...VRYBURG.... ON THIS .14.... DAY OF .August.....
1992.

WITNESSES:

1. _____ _____
TOWN COMMITTEE OF DUDUDI

2. _____

I K ELS, TOWN CLERK OF DUDUDI AND VRYBURG
Name and capacity of signatory

SIGNED ON ..... DAY OF 1992
AT MEGAWATT PARK.

WITNESSES:

1. _____ _____
A J MORGAN

2. _____

NAME AND DESIGNATION OF SIGNATORY: A J MORGAN,
EXECUTIVE DIRECTOR, MARKETING AND ELECTRIFICATION.

"Esk - 26"

Eskom

NALEDI LOCAL MUNICIPALITY

ACKNOWLEDGEMENT OF DEBT AND REPAYMENT PLAN AGREEMENT

1. INTRODUCTION

It is recorded that:

1.1 Eskom Holdings SOC Ltd ("Eskom") is currently supplying Naledi Local Municipality with [bulk] electricity in terms of the Electricity Supply Agreement ("ESA"), Reference Number SC0002PF entered into between Eskom and the Municipality *for Vryburg Town* on or about 05 October 2000 and reference number SC0002APF for Stella on or about 07 September 1999.

1.2 The Municipality acknowledges that it is truly and lawfully indebted to Eskom for electricity supplied in terms of the ESA referred to in sub-clause 1.1 above and undertakes to pay Eskom as detailed herein.

1.3 The Municipality also acknowledges that the terms and conditions set out herein below shall regulate and govern the repayment of all and any monies due, owing and payable to Eskom arising out of the Municipality indebtedness to Eskom.

1.4 This Acknowledgement of Debt and Payment Plan Agreement ("the Agreement") is a separate agreement from the ESA or any other agreement that is entered into between Eskom and Municipality.

2. PERIOD OF AGREEMENT

This Agreement shall notwithstanding the last signature thereof become effective on 30 January 2017 and shall remain in force until the Municipality has paid Eskom in full the amounts referred to or tabulated in clause 4 below.

3. DEBT ACKNOWLEDGEMENT

The Municipality acknowledges that as at 23 January 2017 it is truly and lawfully indebted to Eskom in the sum of **R216 845 376.54 (Two Hundred and Fifteen Million Eight Hundred and Forty Five Thousand Three hundred and Seventy Six Rand and Fifty Four Cents)** including VAT and accumulated interest compounded monthly from 28 May 2008 to 28 December 2016 ("the debt") for electricity supplied to the Municipality.

B.M MSM AN

4. REPAYMENT

4.1 The Municipality hereby undertakes to pay the debt as follows:

a) Upfront payment R 5 300 000.00 on or before 31 Jan-17;

4.1.1	R 10 300 000.00	on or before 31 Mar-17;
4.1.2	R 16 000 000.00	on or before 31 Jul-18
4.1.3	R 14 000 000.00	on or before 30 Nov-18;
4.1.4	R 1 500 000.00	on or before 31 Jan-19;
4.1.5	R 1 500 000.00	on or before 28 Feb-19;
4.1.6	R 12 000 000.00	on or before 31 Mar-19;
4.1.7	R 1 500 000.00	on or before 30 Apr -19;
4.1.8	R 1 500 000.00	on or before 30 May-19;
4.1.9	R 1 500 000.00	on or before 31 June-19;
4.1.10	R 16 000 000.00	on or before 31 Jul-19;
4.1.11	R 1 500 000.00	on or before 31 Aug-19;
4.1.12	R 1 500 000.00	on or before 31 Sep-19;
4.1.13	R 1 500 000.00	on or before 31 Oct-19;
4.1.14	R 14 000 000.00	on or before 30 Nov-19;
4.1.15	R 1 500 000.00	on or before 31 Dec-19;
4.1.16	R 1 500 000.00	on or before 30 Jan-20;
4.1.17	R 1 500 000.00	on or before 28 Feb-20;
4.1.18	R 12 000 000.00	on or before 30 Mar-20;
4.1.19	R 1 500 000.00	on or before 31 Apr-20;
4.1.20	R 1 500 000.00	on or before 28 May-20;
4.1.21	R 1 500 000.00	on or before 31 Jun-20;
4.1.22	R 16 000 000.00	on or before 30 Jul-20;
4.1.23	R 1 500 000.00	on or before 30 Aug-20;
4.1.24	R 1 500 000.00	on or before 31 Sept-20;
4.1.25	R 1 500 000.00	on or before 31 Oct-20;
4.1.26	R 14 000 000.00	on or before 31 Nov-20;
4.1.27	R 1 500 000.00	on or before 30 Dec-20;
4.1.28	R 1 500 000.00	on or before 31 Jan-21;
4.1.29	R 1 500 000.00	on or before 28 Feb-21;
4.1.30	R 12 000 000.00	on or before 31 Mar-21;
4.1.31	R 1 500 000.00	on or before 31 Apr-21;
4.1.32	R 1 500 000.00	on or before 31 May-21;
4.1.33	R 1 500 000.00	on or before 31 Jun-21;
4.1.34	R 16 000 000.00	on or before 31 Jul-21;
4.1.35	R 1 500 000.00	on or before 31 Aug-21;
4.1.36	R 1 500 000.00	on or before 31 Sept-21;
4.1.37	R 1 500 000.00	on or before 31 Oct-21;
4.1.38	R 14 000 000.00	on or before 31 Nov-21;
4.1.39	R 1 500 000.00	on or before 31 Dec-21;
4.1.40	R 1 500 000.00	on or before 31 Jan-21;

4.2 In accordance with the ESA the outstanding amount shall bear interest, compounded monthly from the due date to date of payment, at a rate per annum equal to the prevailing prime rate charged by First National Bank of Southern Africa Limited in South Africa plus 5%.

4.3 Notwithstanding sub-clause 4.2 above and subject to sub-clause 6.2 below, the debt shall not bear any interest after the date on which the last interest was calculated as indicated in paragraph 3 above.

4.4 It is specifically recorded that the Municipality retains the right to repay the debt in full at any given time during the period contemplated in clause 4.1 above. In the event of such occurrence, the Municipality will only be liable for interest accumulated on the debt up to and until the date of such payment, in full and final settlement.

4.5 A certificate under the signature of a duly authorised employee of Eskom (whose authority as such need not be proved by Eskom) or by any professional practising accountant who is engaged by Eskom setting out the amount due and payable by the Municipality at any time in terms of this Agreement, shall be sufficient and prima facie proof of the Municipality's debt for purpose of any legal proceedings including obtaining of summary or default judgement.

5. CURRENT ACCOUNTS

The Municipality acknowledges that its undertaking herein does not absolve it from any of its obligations in terms of the ESA, including its obligation to pay all the current accounts timeously and as and when they become due and payable in terms of the ESA.

6. DEFAULT

6.1 Should the Municipality default in the payment of any one of the instalments mentioned above, is placed under judicial management or administration, or it enters into a compromise with creditors , the full balance owing on the debt at the relevant time shall become due and payable.

6.2 The debt shall bear interest, compounded monthly from the date on which the last interest was calculated as indicated in clause 3 above, at a rate per annum equal to the prevailing prime rate charged by First National Bank of Southern Africa Limited in South Africa plus 5%.

6.3 Eskom may with due regard to all the relevant legislations and the provisions of the ESA take whatever legal remedies available to it including disconnection of supply of electricity to the Municipality.

6.4 The Municipality undertakes to pay on an attorney and client scale, all legal costs and expenses incurred in making demand for, or suing for the recovery of the capital and interest or any portion thereof and the cost of the execution of any judgement and in general all the costs which Eskom may incur in connection herewith.

7. RENUNCIATION OF BENEFITS

The Municipality renounces the benefits of the legal exceptions that there was no cause for the debt and that there was an error in calculations and the Municipality declares itself to be fully acquainted with the meaning, force and effect of such renunciations.

8. GENERAL

8.1 This Agreement constitutes the sole record with respect to the indebtedness of the Municipality to Eskom.

8.2 No addition to or variation or cancellation hereof shall be of any force or effect unless agreed to in writing by Eskom and the Municipality.

8.3 No indulgence which Eskom may grant to the Municipality in respect of the terms of this Agreement shall constitute a waiver or novation of any of the past or future rights of Eskom and Eskom shall not thereby be precluded from exercising any rights against the Municipality which may have arisen in the past or which might arise in the future.

9. WARRANTY OF AUTHORITY

The Municipality hereby warrants that at the time of execution of this Agreement it has obtained all the approvals and/or consents required under any of its empowering legislations and has taken all necessary action to authorize its signatory to bind it in terms of this Agreement.

SIGNED for and ON BEHALF of the Municipality by the signatory below, who warrants that he/she is duly authorised on ..... 2017.

.....

NAME: C Malefo

TITLE: Acting Municipal Manager

AS WITNESSES

1. .....

2. .....

Ag AN

SIGNED for and ON BEHALF of Eskom by the signatory below, who warrants that she/he is duly authorised on ..17.. FEBRUARY..... 2017.

.....

NAME: A.O NOAH

TITLE: GE CUSTOMER SERVICES

AS WITNESSES

1. .....

2. .....

6. FINANCE AND ECONOMIC DEVELOPMENT: ACKNOWLEDGEMENT OF DEBT OWED TO ESKOM AND REPAYMENT ARRANGEMENT (5/9/1)

RESOLVED

1. That Council acknowledges the debt owed to Eskom on the two bulk accounts Vryburg and Stella.

2. That Council approves the new repayment arrangement which excludes the required R 33,000,000.00.

3. That Council acknowledges that the repayment arrangement should be adhered to with the current account being paid monthly when it is due.

Department : Municipal Manager

Delegated.

RES. NO.: 07/2017

"ESK-27"

NALEDI LOCAL MUNICIPALITY

SPECIAL COUNCIL MEETING

MINUTES

DATE: 27 JANUARY 2017
TIME: 10:00
VENUE: COUNCIL CHAMBER

MINUTES OF A ***SPECIAL COUNCIL MEETING*** OF NALEDI LOCAL MUNICIPALITY WHICH WAS HELD IN THE COUNCIL CHAMBER, VRYBURG ON ***FRIDAY, 27 JANUARY 2017 AT 10:00***

MEMBERS PRESENT

CLLR N W SKALK – MAYOR

CLLR C J GROEP – SPEAKER

CLLR A N BARENG
CLLR K L BOME
CLLR K BOSANTSI
CLLR J G BRAND
CLLR L EKKELTON
CLLR M P LEBONA
CLLR S P MATLABE
CLLR K B TAUWE
CLLR B J MOHOLO
CLLR S MUSTAFA
CLLR M E NCOBO
CLLR O K NYAMANE
CLLR H PHILANDER
CLLR H L PRETORIUS
CLLR E P RENOSTER

ABSENT WITH LEAVE

CLLR J A ADONIS
CLLR O R MODISE
CLLR G C PULANE

ALSO

MS C C MALEFO – ACTING MUNICIPAL MANAGER (EXECUTIVE MANAGER: CORPORATE SERVICES)

MR T N APPOLUS – EXECUTIVE MANAGER: COMMUNITY DEVELOPMENT AND HOUSING SERVICES

MR L A MOINWE – EXECUTIVE MANAGER: TECHNICAL SERVICES AND FACILITIES MANAGEMENT

MR G L PRETORIUS – MANAGER: WATER AND SANITATION

MR K GASEBUE – MANAGER: MPAC

MR O P MAKOBO – MANAGER: STELLA

MR D APPOLUS – MANAGER: TRAFFIC AND LICENSING SERVICES
MR N G KUBEKA – MANAGER: PLANNING AND COMPLIANCE
MR M BUTJIE – DEPUTY MANAGER: LEGAL SERVICES
MR T N K NTJANYANE – DEPUTY MANAGER: IDP
MR L THOTSE – DEPUTY MANAGER: IT
MS V MOSIAPOA – SENIOR ADMINISTRATIVE OFFICER
MR Z M KANA – PMS OFFICER
MS E M VENTER – COMMITTEE CLERK
MR A T MOALUDI – LEGAL INTERN

NALEDI LOCAL MUNICIPALITY
ATTENDANCE REGISTER

SPECIAL COUNCIL MEETING
27 JANUARY 2017

COUNCILLORS

NO.	NAME	DESIGNATION	CONTACT NO.	SIGNATURE
1.	Cllr. J. A. Adonis	—	—	—
2.	Cllr. A. N. Bareng	CLLR		ANNA
3.	Cllr. K. L. Bome	CLLR	072 593 2803	
4.	Cllr. K. Bosantsi	Cllr	016 3298608	
5.	Cllr. J. G. Brand	CLLR.	0794931516	
6.	Cllr. L. Ekkelton	Chair Infra Cllr	073 628 2658	
7.	Cllr. C. J. Groep	CLLR	0834547514	
8.	Cllr. M. P. Lebona	Cllr	0793420445	MPL
9.	Cllr. S. P. Matlabe	Ward Councillor	071 623 2291	
10.	Cllr. O. R. Modise	—	—	—
11.	Cllr. B. J. Moholo	CLLR	0793831456	
12.	Cllr. S. Mustafa	CLLR	0818275550	
13.	Cllr. M. E. Ncobo	CLLR	060 785 2717	
14.	Cllr. O. K. Nyamane	WARD CLLR	079 836 3870	
15.	Cllr. H. Philander	ward Cllr Chair MPAC	0769 688688	
16.	Cllr H. L. Pretorius	CLLR	0823370563	
17.	Cllr. G. C. Pulane	—	—	—
18.	Cllr. E. P. Renoster	CLLR.	0720694618	
19.	Cllr. N. W. Skalk	MAYOR	0760854824	H.W. Skalk
20.	Cllr. K. B. Tauwe	CLLR	0766489696	

NALEDI LOCAL MUNICIPALITY
ATTENDANCE REGISTER

SPECIAL COUNCIL MEETING
27 JANUARY 2017

OFFICIALS

NO.	NAME	DESIGNATION	CONTACT NO.	SIGNATURE
1.	Hlaudi Mulaudzi	Head Audit & Risk MPAC	0769888686	
2.	K. Gasebue	Manager: MPAC	053 928 2259	
3.	L.R. Thoise	Dep Man: IT	053 928 2272	
4.	S.L. Ratsoke	Man Legal	071 371 9027	
5.	N. Mthenyane	Dep Man: IDP	053 928 2339	
6.	OP Makobo	Manager: Public Participation	0761567122	
7.	Zm KANA	PMS OFFICER	053 928 2214	
8.	N Kubeka	Manager: Budget and Expenditure	053 928 2212	
9.	A.T Mokheli	Legal Unit	053 928 2262	
10.	CC MALEFO	AMM	053 928 2204	
11.	L MOINWE	EMTS	053 928 2207	
12.	J. APPOLUS	Manager Traffic & Lic	053 927 5660	
13.	Thabo Appolus	Executive Man: Community Services	0795075634	
14.	M G Butale	Dep Man: Legal	053 928 2262	
15.	V. MOSIAPOA	SAO	053 928 2224	
16.	E.H. Venter	Committee Clerk	053 928 2204	

NALEDI LOCAL MUNICIPALITY
ATTENDANCE REGISTER

SPECIAL COUNCIL MEETING
27 JANUARY 2017

NO.	NAME	DESIGNATION	CONTACT NO.	OTHER SIGNATURE
1.	O Jacobs	Audit Committee	0785638078	
2.	MJ Coetzee	AG - Manager	0834525900	
3.	F. Buys	Chief Audit Executive	0829678032	
4.	A. Misra	AGSA - Senior Manager	0822588120	
5.	P Magobeng	Community Member	0781345971	
6.				
7.				
8.				
9.				
10.				
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12.				
13.				
14.				
15.				
16.				

NALEDI LOCAL MUNICIPALITY

MEMORANDUM

TO: SPEAKER

FROM: CLLR OR MODISE

DATE: 26 JANUARY 2017

SUBJECT: APOLOGY

REF: 26/01/17

Honourable Councillor

I councillor OR Modise will like to send my apology for not attending Council meeting on Friday, as I will be attending a consultative meeting between the MEC, CEOs and the chairpersons of District Department of Health at Orkney.

Hope you find the above in order

Kind regards

CLLR OR MODISE (0790274331)

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MINUTES

(Special Council Meeting – Minutes 27/01/2017)

1. OPENING AND WELCOME

Councillor E. P. Renoster, upon request of Chairperson, Councillor C. J. Group opened the meeting with a prayer. The Chairperson welcomed all present and declared the meeting officially opened.

(Special Council Meeting – Minutes 27/01/2017)

2. APPLICATION FOR LEAVE OF ABSENCE

That the following application for leave of absence received be approved:-

MEMBER	DESIGNATION	REASON
Mr. D. M. Thornhill	Chief Financial Officer	Sick Leave
Ms. M. K. Mmusi	Deputy Manager: Communications and Marketing	Sick Leave

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(Special Council Meeting – Minutes 27/01/2017)

3. DECLARING OF ANY DIRECT OR INDIRECT PECUNIARY INTEREST (3/4/2)

Councillors and officials were required to declare any direct or indirect pecuniary interest in any item on this agenda in terms of Clause 5 of the Code of Conduct for Councillors as well as the Code of Conduct for Municipal staff members as respectively contained in Schedule 1 and 2 of the Municipal Systems Act 32 of 2000 and no Councillor or official declared any such interest.

(Special Council Meeting – Minutes 27/01/2017)

4. **COUNCIL: REKGARATLHILE INFORMAL SETTLEMENT RELOCATION PLAN (19/2/3)**

RESOLVED

1. That Council takes note of the status of the Township Establishment process at Stella – Rekgaratlhile.

2. That Council takes note and approves the Relocation Plan for Rekgaratlhile Informal Settlement unit owners and the implications thereof.

3. That households in Informal Settlements of Rekgaratlhile who do not qualify for Housing Subsidy (RDP) should be given an opportunity to purchase the Sites in the new establishment.

4. That the Community Development and Housing Services be closely involved with the process and they must update the relevant Portfolio Committee with reports.

5. That following Councillors raised their dissension vote:-

   5.1 Councillor H. L. Pretorius
   5.2 Councillor E. P. Renoster
   5.3 Councillor J. G. Brand
   5.4 Councillor S. Mustafa

Department : Municipal Manager

Delegated.

RES. NO.: 05/2017

(Special Council Meeting – Minutes 27/01/2017)

5. **COUNCIL: DETERMINATION OF UPPER LIMITS OF SALARIES, ALLOWANCES AND BENEFITS OF DIFFERENT MEMBERS OF A MUNICIPAL COUNCIL FOR THE 2016 / 2017 FINANCIAL YEAR (3/4/B) (5/6/3/1)**

RESOLVED

1. That Council resolves on the implementation of the Upper Limits as per the Determination of Upper Limits of Salaries, Allowances and Benefits of Councillors for the 2016 / 2017 financial year (Notice No 40519).

2. That the MEC's concurrence be applied for, according to the requirements set.

3. That, should the MEC grant the concurrence, back pay as of 1 July 2016 be paid to Councillors.

4. That following Councillors raised their dissension vote:-

   4.1 Councillor H. L. Pretorius
   4.2 Councillor E. P. Renoster
   4.3 Councillor J. G. Brand
   4.4 Councillor S. Mustafa

Department : Municipal Manager

Delegated.

RES. NO.: 06/2017

(Special Council Meeting – Minutes 27/01/2017)

6. **FINANCE AND ECONOMIC DEVELOPMENT: ACKNOWLEDGEMENT OF DEBT OWED TO ESKOM AND REPAYMENT ARRANGEMENT (5/9/1)**

RESOLVED

1. That Council acknowledges the debt owed to Eskom on the two bulk accounts Vryburg and Stella.

2. That Council approves the new repayment arrangement which excludes the required R 33,000,000.00.

3. That Council acknowledges that the repayment arrangement should be adhered to with the current account being paid monthly when it is due.

Department : Municipal Manager

Delegated.

RES. NO.: 07/2017

(Special Council Meeting – Minutes 27/01/2017)

7. **PLANNING AND COMPLIANCE: RISK MANAGEMENT MANUAL 2016 / 2017 (5/14/1)**

RESOLVED

That the item be withdrawn from the agenda.

Department : Municipal Manager

Delegated.

RES. NO.: 08/2017

(Special Council Meeting – Minutes 27/01/2017)

8. **PLANNING AND COMPLIANCE: RISK MANAGEMENT PROGRESS REPORT: RISK ASSESSMENT AND FIRST UPDATE REPORT 2016 / 2017 (PERIOD: JULY 2016 – DECEMBER 2016) (5/14/1)**

RESOLVED

That the item be withdrawn from the agenda.

Department : Municipal Manager

Delegated.

RES. NO.: 09/2017

(Special Council Meeting – Minutes 27/01/2017)

9. **PLANNING AND COMPLIANCE: FRAUD PREVENTION MANUAL 2016 / 2017 (5/14/1)**

RESOLVED

That the item be withdrawn from the agenda.

Department : Municipal Manager

Delegated.

RES. NO.: 10/2017

(Special Council Meeting – Minutes 27/01/2017)

10. **PLANNING AND COMPLIANCE UNIT: ANNUAL REPORT FOR THE FINANCIAL YEAR 2015 / 2016 (MFMA SECTION 127), JANUARY 2017 (16/1/1)**

RESOLVED

1. That Council takes note of the tabled Annual Report and delegate the Municipal Public Accounts Committee to, within two (2) months, make recommendations regarding the report to Council.

2. That Council notes that the Annual Report 2015 / 2016 will be published as prescribed by legislation for representations.

3. That Council notes that the Annual Report 2015 / 2016 will be submitted to the Auditor-General, the relevant Provincial Treasury and the Provincial Department responsible for Local Government in the Province as per Section 127 (5) (b) of the Municipal Finance Management Act (MFMA).

4. That a copy of the Annual Report for the financial year 2015 / 2016 be signed and distributed to the Governmental Departments, Auditor-General, Libraries and Municipal Offices.

5. That Council takes note of the Annual Report for the financial year 2015 / 2016 (Municipal Finance Management Act 127).

Department : Municipal Manager

Delegated.

RES. NO.: 11/2017

(Special Council Meeting – Minutes 27/01/2017)

11. PLANNING AND COMPLIANCE: MID TERM BUDGET AND PERFORMANCE ASSESMENT (MFMA SECTION 72) REPORT, JANUARY 2017 (16/1/1)

RESOLVED

1. That Council notes the Quarter 2 Performance Report.

2. That Council notes the Mid-Term Report.

3. That Council notes that the Mid-Term Budget and Performance Assessment Report were submitted to the Mayor, Provincial and National and The Department: Local Government and Human Settlements on 25 January 2017 as prescribed by Section 72 of the Municipal Finance Management Act.

4. That Council takes note of the Mid-Term Budget and Performance Assessment Report.

5. That Council takes note of the incomplete Mid-Term Financial Report.

6. That Council refers the Mid-Term Financial Report back to Administration (Financial Services) for completion.

Department : Municipal Manager

Delegated.

RES. NO.: 12/2017

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12. COMMUNITY DEVELOPMENT AND HOUSING SERVICES: REFURBISHMENT OF NALEDI LOCAL MUNICIPALITY NURSARY (GREENHOUSE) AT PARKS SECTION (18/13/3/1)

RESOLVED

That the item be referred to the Community Development and Local Economic Development Portfolio Committee of 9 February 2017.

Department : Community Development and Housing Services

Delegated.

RES. NO.: 13/2017

ADJOURNMENT

The meeting is adjournment at 12:15.

CHAIRPERSON *DATE*

(Council Meeting – Minutes 10/05/2018)

35. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: PROPERTY ADMINISTRATION – MONTHLY REPORT: JANUARY 2018 (10/2/4/4)**

NOTED

The activities and functions performed by the Property Administration Unit during the month of January 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

36. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: PROPERTY ADMINISTRATION – MONTHLY REPORT: FEBRUARY 2018 (10/2/4/4)**

NOTED

The activities and functions performed by the Property Administration Unit during the month of February 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

37. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: SPORT, ARTS, CULTURE AND HERITAGE – MONTHLY REPORT: SEPTEMBER 2017 (10/1/3/1/2)**

NOTED

The activities and work performed by the Sport, Arts, Culture and Heritage Unit for the month of September 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

38. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: SPORT, ARTS, CULTURE AND HERITAGE – MONTHLY REPORT: OCTOBER 2017 (10/1/3/1/2)**

NOTED

The activities and functions performed by the Sport, Arts, Culture and Heritage Unit for the month of October 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

39. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: SPORT, ARTS, CULTURE AND HERITAGE – MONTHLY REPORT: JANUARY 2018 (10/1/3/1/2)**

NOTED

The activities and functions performed by the Sport, Arts, Culture and Heritage Unit during the month of January 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

40. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: SPORT, ARTS, CULTURE AND HERITAGE – MONTHLY REPORT: FEBRUARY 2018 (10/1/3/1/2)**

NOTED

The activities and functions performed by the Sport, Arts, Culture and Heritage Unit during the month of February 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

41. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: MONTHLY REPORT FROM FIRE AND DISASTER MANAGEMENT UNIT: 01 SEPTEMBER 2017 TO 30 SEPTEMBER 2017 (10/1/3/1/3)**

NOTED

The activities performed by the Fire and Disaster Management Unit for the period 01 September 2017 until 30 September 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

42. **COMMUNITY DEVELOPMENT AND HOUSING SERVICES: MONTHLY REPORT FROM FIRE AND DISASTER MANAGEMENT: 01 JANUARY 2018 TO 31 JANUARY 2018 (10/1/3/1/3)**

NOTED

The monthly report from the Fire and Disaster Management Services for the period 01 January 2018 until 31 January 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

43. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: WASTE MANAGEMENT AND ENVIRONMENTAL HEALTH SERVICES – MONTHLY REPORT: SEPTEMBER 2017 (17/7/2/2)**

NOTED

The activities and functions performed by the Waste Management, Environmental Services for the month of September 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

44. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: WASTE MANAGEMENT AND ENVIRONMENTAL HEALTH SERVICES – MONTHLY REPORT: 21 SEPTEMBER 2017 TO 20 OCTOBER 2017 (17/7/2/2)**

NOTED

The activities and functions performed by the Waste Management, Environmental Services for 21 September 2017 to 20 October 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

45. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: WASTE MANAGEMENT AND ENVIRONMENTAL HEALTH SERVICES – MONTHLY REPORT: JANUARY 2018 (17/7/2/2)**

NOTED

The activities and functions performed by the Waste Management, Environmental Services for the month of January 2018 be noted.

RESOLVED

That the Municipal Manager appoint Service Providers that can be on stand-by to identify people that are dumping waste around the jurisdiction of Naledi.

Department : Community Development and Housing Services

RES. NO.: 666/2018

(Council Meeting – Minutes 10/05/2018)

46. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING SECTION – MONTHLY REPORT: SEPTEMBER 2017 (18/21/1)**

NOTED

The progress report from Toro Ya Africa for the month of September 2017 be noted.

RESOLVED

That a letter be written by the Acting Executive Manager: Community Development and Housing Services to the Municipal Executive Council (MEC) of Local Government and Human Settlement requesting a meeting to be convened with Naledi Local Municipality, Department of Local Government and Human

Settlement, Ward Committee Members and involve (Toro Ya Africa, Barzani Contractors), and Siyahlala residents to address their concerns.

Department : Community Development and Housing Services

RES. NO.: 667/2018

(Council Meeting – Minutes 10/05/2018)

47. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING SECTION – MONTHLY REPORT: OCTOBER 2017 (18/21/1)**

NOTED

The progress reports from Toro Ya Africa during the month of October 2017 be noted.

RESOLVED

That the Local Community Radio Station (Bophirima FM) be involved in encouraging the community members to occupy their houses to avoid theft, illegal corruption and vandalization at Extension 25 and 28.

Department : Community Development and Housing Services

RES. NO.: 668/2018

(Council Meeting – Minutes 10/05/2018)

48. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING SECTION – MONTHLY REPORT: DECEMBER 2017 AND JANUARY 2018 (18/21/1)**

NOTED

The progress reports from Toro Ya Africa for the months of December 2017 and January 2018 be noted.

RESOLVED

1. That billing for services accounts at Extension 25 and 28 be verified before accounts are submitted to community members and occupants be allowed to make payment arrangements with regards to their accounts.

2. That the Municipal Manager write a letter to the Member of the Executive Committee (MEC) of Local Government and Human Settlement and the Minister for Housing requesting funding for rebuilding of old Reconstruction Development Programme (RDP) houses that are dilapidated and incomplete, as they are hazardous to human nature.

Department : Community Development and Housing Services

RES. NO.: 669/2018

(Council Meeting – Minutes 10/05/2018)

49. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING SECTION – MONTHLY REPORT: FEBRUARY 2018 (18/21/1)**

NOTED

The progress report from Toro Ya Africa for the month of February 2018 be noted.

RESOLVED

That properties (houses) owned by occupants with income and those rented or leased out be accordingly charged for municipal service accounts.

Department : Community Development and Housing Services

RES. NO.: 670/2018

(Council Meeting – Minutes 10/05/2018)

50. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING UNIT - FUNCTION PERFORMED: MONTHLY REPORT: SEPTEMBER 2017 (18/21/1)**

NOTED

The activities and functions performed by Housing Unit during the month of September 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

51. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING UNIT - FUNCTION PERFORMED: MONTHLY REPORT: OCTOBER 2017 (18/21/1)**

NOTED

The activities and functions performed by the Housing Unit during the month of October 2017 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

52. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING UNIT - FUNCTION PERFORMED: MONTHLY REPORT: DECEMBER 2017 AND JANUARY 2018 (18/21/1)**

NOTED

The activities and functions performed by the Housing Unit during the months of December 2017 and January 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

53. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING UNIT - FUNCTION PERFORMED: MONTHLY REPORT: FEBRUARY 2018 (18/21/1)**

NOTED

The activities and functions performed by the Housing Unit during the month of February 2018 be noted.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

54. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: WORKSHOP REPORT: HUMAN SETTLEMENT POLICY DEVELOPMENT CONSULTATIVE WORKSHOP HELD ON 21 - 22 FEBRUARY 2018 (18/21/1)**

NOTED

Council takes note of the Provincial Human Settlement Policy Development Consultative Workshop held by both National and Provincial Department of Human Settlement on 21 to 22 February 2018 at Klondike Guest Lodge in Vryburg.

RESOLVED

That a Workshop be conducted on the Human Settlement Policy Development for all Councillors.

Department : Community Development and Housing Services

RES. NO.: 671/2018

(Council Meeting – Minutes 10/05/2018)

55. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: HOUSING DISPUTES – MONTHLY REPORT: FEBRUARY 2018 (18/21/1)**

NOTED

1. The Housing Disputes received during the month of February 2018 be noted.

2. Council takes note that the Housing Disputes were referred to the Legal Unit for advice.

Department : Community Development and Housing Services

(Council Meeting – Minutes 10/05/2018)

56. **COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: WARD COMMITTEE DATA MANAGEMENT SYSTEM (WCDMS) FUNCTIONALITY DOCUMENTATION REPORT FROM OFFICE OF THE SPEAKER: APRIL 2017 TO AUGUST 2017 (3/5/1)**

NOTED

The functionality of the Office of the Speaker for the months of April 2017 to August 2017 be noted.

Department : Municipal Manager

57. COMMUNITY SERVICES AND LOCAL ECONOMIC DEVELOPMENT: PROPOSED SCHEDULE OF MEETINGS FOR WARD COMMITTEES AND PUBLIC MEETINGS: JULY 2017 (3/2/B (H))

RESOLVED

That Council adopts the proposed 2017 / 2018 schedule of Ward Public and Committee meetings.

Department : Municipal Manager

RES. NO.: 672/2018

"ESK 28"

Eskom

NALEDI LOCAL MUNICIPALITY

ACKNOWLEDGEMENT OF DEBT AND PAYMENT PLAN AGREEMENT FOR MUNICIPAL BULK SUPPLIES AND SUSPENDING FUTURE INTEREST CHARGES

1. INTRODUCTION

It is recorded that:

1.1 Eskom Holdings SOC Ltd is currently supplying Naledi Local Municipality with bulk electricity in terms of the Electricity Supply Agreement ("ESA"), Reference Number 6757742615, 7264448728 and 7778082122 entered into between Eskom and the Municipality on or about 23 April 2004, 10 May 2016 and 30 October 2000, .

1.2 The Municipality acknowledges that it is truly and lawfully indebted to Eskom for electricity supplied in terms of the ESA and undertakes to pay Eskom as detailed in this Acknowledgement of Debt and Payment Plan Agreement ("the Agreement").

1.3 The Municipality also acknowledges that the terms and conditions set out herein below shall regulate and govern the repayment of all and any monies due, owing and payable to Eskom arising out of the Municipality's indebtedness to Eskom.

2. PERIOD OF AGREEMENT

2.1 Notwithstanding the last signature hereof, this Agreement shall become effective on 02 May 2018 and shall remain in force until the Municipality has paid Eskom in full the amounts as set out in clause 4 below.

3. DEBT ACKNOWLEDGEMENT

3.1 The Municipality acknowledges that as at 01 May 2018 it is truly and lawfully indebted to Eskom in the sum of R 263 931 257,60 (Two hundred and sixty three million nine hundred and thirty one thousand two hundred and fifty seven rand and sixty cents only) including VAT and accumulated interest compounded monthly from May 2008 to March 2018 ("the Debt") for electricity supplied to the Municipality.

4. REPAYMENT

4.1 The Municipality hereby undertakes to pay the Debt as follows:

4.1.1	R 12 000 000.00	on or before 31 July 2018;
4.1.2	R 12 000 000.00	on or before 30 Nov 2018;
4.1.3	R 13 500 000.00	on or before 30 April 2019;
4.1.4	R 14 000 000.00	on or before 31 July 2019;
4.1.5	R 12 000 000.00	on or before 30 Nov 2019;
4.1.6	R 10 000 000.00	on or before 31 Mar 2020;
4.1.7	R 14 000 000.00	on or before 31 July 2020;
4.1.8	R 12 000 000.00	on or before 30 Nov 2020;
4.1.9	R 13 500 000.00	on or before 31 Mar 2021;
4.1.10	R 13 000 000.00	on or before 31 July 2021;
4.1.11	R 13 000 000.00	on or before 30 Nov 2021;
4.1.12	R 13 500 000.00	on or before 31 Mar 2022;
4.1.13	R 13 000 000.00	on or before 30 April 2022;
4.1.14	R 13 000 000.00	on or before 31 May 2022;
4.1.15	R 13 000 000.00	on or before 30 June 2022;
4.1.16	R 11 000 000.00	on or before 31 July 2022;
4.1.17	R 10 000 000.00	on or before 31 Aug 2022;
4.1.18	R 7 000 000.00	on or before 30 Sept 2022;
4.1.19	R 6 000 000.00	on or before 31 Oct 2022;
4.1.20	R 11 000 000.00	on or before 30 Nov 2022;
4.1.21	R 6 000 000.00	on or before 31 Dec 2022;
4.1.22	R 6 000 000.00	on or before 31 Jan 2023;
4.1.23	R 6 048 174.79	on or before 28 Feb 2023;
4.1.24	R 10 000 000.00	on or before 31 Mar 2023;

4.2 Subject to sub-clause 6.1 below, the Debt shall not bear any interest after the date on which the last interest was calculated as indicated in clause 3 above.

4.3 It is specifically recorded that the Municipality retains the right to repay the Debt in full at any given time during the period contemplated in sub-clause 4.1 above.

4.4 A certificate under the signature of a duly authorised employee of Eskom (whose authority as such need not be proved by Eskom) or by any professional practising accountant who is engaged by Eskom setting out the amount due and payable by the Municipality at any time in terms of this Agreement, shall be sufficient and prima facie proof of the Municipality's debt.

4.5 The Municipality shall pay the Debt to Eskom free of exchange and without any deduction or set-off.

5 CURRENT ACCOUNTS

8.3 No indulgence which Eskom may grant to the Municipality in respect of the terms of this Agreement shall constitute a waiver or novation of any of the past or future rights of Eskom and Eskom shall not thereby be precluded from exercising any rights against the Municipality which may have arisen in the past or which might arise in the future.

8.4 The Parties agree that save for the express changes set out and agreed to in this Agreement, all the terms of the ESA remain intact, and all terms set out therein shall apply to this Agreement.

9 WARRANTY OF AUTHORITY

9.1 The Municipality hereby warrants that at the time of execution of this Agreement it has obtained all the approvals and/or consents required under any of its empowering legislations and has taken all necessary action to authorize its signatory to bind it in terms of this Agreement.

SIGNED for and ON BEHALF of the Municipality by the signatory below, who warrants that he/she is duly authorised on ..... 2018.

.....

NAME: NEOH. MWAM SIGAU

TITLE: MAYOR NALEDI LOCAL MUNICIPALITY

AS WITNESSES

1. .....

2. .....

SIGNED for and ON BEHALF of Eskom by the signatory below, who warrants that she/he is duly authorised on 15 May 2018 ..... 2018.

.....

NAME: Ayanda NOAH

TITLE:

AS WITNESSES

1. .....

2. .....