

Northern Cape Provincial Government



NORTHERN CAPE PROVINCIAL TREASURY

NOORD KAAP PROVINSIALE TESOURIE

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Navrae:

Date: 26 September 2024
Leshupelo:
Umhla:
Datum:

Reference: #Debt Relief M14
Tshupelo:
Tsalathiso:
Vervysinqs:

**MS. OGALALETSENG GAAREKWE
ACTING DIRECTOR-GENERAL:
INTERGOVERNMENTAL RELATIONS
NATIONAL TREASURY
40 CHURCH SQUARE
PRETORIA
0001**

**MR. JAN SWARTZ
MUNICIPAL MANAGER
NAMAKHOI MUNICIPALITY
P.O BOX 17
SPRINGBOK
8240**

MFMA CIRCULAR 124 - MUNICIPAL DEBT RELIEF NON-COMPLIANCE OF NC062 NAMA KHOI LOCAL MUNICIPALITY AUGUST 2024

Dear Ms. Gaarekwe

Nama-Khoi Local Municipality was approved for the Debt Relief Programme with effective date **01 July 2023**; therefore, this is the thirteenth month (August 2024) to implement the Municipal Debt Relief conditions as per MFMA Circular No. 124. The Northern Cape Provincial Treasury has monitored and assessed the municipality's compliance with all the debt relief conditions during August 2024 and the following challenges and / or non-compliance is noted:

Condition 6.1 – Municipal non-compliance

In terms of the National Treasury (NT) approval, the municipality must comply with conditions 6.1 – 6.14 of MFMA Circular 124 read together with the additional conditions specific to the municipality set-out in its National Treasury debt relief approval letter. From the Provincial Treasury's assessment, the municipality achieved a **95%** above moderate compliance with the MFMA Circular 124 conditions during August 2024 – refer the performance sheet in the table below that shows the municipality's overall relief compliance performance across the months of its debt relief cycle. Considering the municipality's overall debt relief performance since 01 July 2023, and that the conditions

carry equal weighting, the municipality is likely to qualify for the one third (1/3) debt write-off at the end of its first debt relief compliance cycle on 30 June 2024, the municipality has addressed the outstanding non-compliance issues and are awaiting the response from NT and ESKOM:



National Treasury
Municipal Debt Relief
MFMA Circular No. 124
Municipal Finance Management Act No. 56 of 2003

Province		
NC		
Code	District	Code Description
NC062	Namakwa	Nama Khoi

Monthly Performance Report

Municipal Details			Part A						Part B					Part C			Part D				Part E								Part F		Month applicable																									
			Eskom And Bulk water current account						Compliance with a funded MTREF					FRP/BFP & Tariff Assessment			Electricity and water as collection tools				Quarterly collection of property rates and services charges								Maximization of Revenue Base								Oversight								Compliance Status											
Month	Code Descr	Code	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12	C13	C14	C15	C16	C17	C18	C19	C20	C21	C22	C23	C24	C25	C26	C27	C28	C29	C30	C31	C32	C33	C34	C35	C36	C37	C38	C39	C40	C41	Score												
1.July	Nama Khoi	NC062	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	98%	Non Compliance	Yes						
2.August	Nama Khoi	NC062	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	No	Yes	Yes	N/A	N/A	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	95%	Non Compliance	Yes	
3.September	Nama Khoi	NC062																																																	0%	Non Compliance	Yes			
4.October	Nama Khoi	NC062																																																		0%	Non Compliance	Yes		
5.November	Nama Khoi	NC062																																																		0%	Non Compliance	Yes		
6.December	Nama Khoi	NC062																																																		0%	Non Compliance	Yes		
7.January	Nama Khoi	NC062																																																		0%	Non Compliance	Yes		
8.February	Nama Khoi	NC062																																																			0%	Non Compliance	Yes	
9.March	Nama Khoi	NC062																																																			0%	Non Compliance	Yes	
10.April	Nama Khoi	NC062																																																			0%	Non Compliance	Yes	
11.May	Nama Khoi	NC062																																																			0%	Non Compliance	Yes	
12.June	Nama Khoi	NC062																																																				0%	Non Compliance	Yes

	Comments/Motivation
HOD Name:	B. MGAGULI
Signature of HOD:	
Date:	30 September 2024

** Note – if the official is signing on behalf of the Head of the Provincial Treasury (HOD), the written procuration of the HOD must be attached as an Annexure to this Certificate of Compliance.

The National Treasury will only request Eskom to write-off a municipality's arrear debt, if the municipality demonstrates to the National Treasury's satisfaction, that the municipality complied with the aforementioned conditions for a consecutive period of 12 months. During the previous months of the debt relief cycle (July 2023 – August 2024), the municipality did not fully adhere to some of the conditions of MFMA Circular 124 and / or the additional conditions required in terms of the NT approval letter. The specific condition(s) to which Nama-Khoi Local Municipality did not comply during August 2024 are discussed in more detail below.

Condition 6.2 – Application based supported by Council resolution

As at the date of this report, Nama-Khoi Local Municipality has submitted all Debt Relief Application related information.

Condition 6.3 – Maintaining the Eskom bulk current account

In terms of MFMA Circular No. 124: condition 6.3 (Maintaining the Eskom bulk current account) – current account for purposes of the Nama-Khoi Local Municipality debt relief approval means the total Eskom charges for the billing period plus VAT plus any component that may be due in terms of a payment arrangement envisaged in paragraph 2 of the NT debt relief approval letter. The Municipality has paid August Eskom Bulk current account in full as per August invoice and within the due date. Therefore the municipality is compliant to the condition.

The municipality is however, not paying full bulk water current account in full but partial payment as it has a dispute with Vaal Central Water. The municipality requested Vaal Central Water to split the municipal account meaning the old outstanding one side and the current one side, the dispute matters has also not been finalized.

Provincial Treasury recommends that the municipality to urgently engage Vaal Central Water in trying to resolve the dispute.

The Provincial Treasury has closely been engaging and monitoring the municipality in this regard to facilitate full compliance during August 2024 going forward.

Condition 6.4 – A funded MTREF

For purposes of the June 2024 compliance certificate, the Provincial Treasury assessed the compliance of municipality's tabled 2024/ 25 MTREF. The PT confirms its communication and related engagement with Nama-Khoi Local Municipality during draft budget engagement on 09 May 2024, to the effect that the 2024/ 25 MTREF tabled to council is unfunded.

The municipality's annual and monthly cash flow projections included on the A1 Schedule (Table A7 - Budgeted Cash Flows and Supporting Table SA 30 – Budgeted Monthly Cash Flows) of the Municipal

Budget and Reporting Regulations aligns with and gives effect to the municipality's Budget Funding Plan strategy (or the FRP strategy), and related seasonal trends (For example higher winter Eskom tariffs, lower January collection rates, etc).

The PT also deployed, Mr. Given Mathebula - MFIP Adviser and Mr. Joseph Mekgwe to assist the municipality with the compilation and address of debt relief issues.

Condition 6.5 – Cost reflective tariffs

The municipality reported that it tabled its completed tariff tool with the 2024/25 MTREF, and the tariff tool uploaded to the National Treasury upload portal for 2024/25 MTREF. Furthermore, the municipality reported that it did workshop to the Council and will consider the recommendations when applying for the new budget year tariff structure.

Condition 6.6 – Electricity and water as a collection tools

Monthly consolidated consumer account statements are issued monthly to consumers in terms of which all partial payments received are allocated in the following order of priority: firstly, to property rates, thereafter to water, wastewater, refuse removal and lastly to electricity.

The municipality disconnects electricity services and/or block the purchasing of pre-paid electricity of any defaulting consumer/property owner unless the defaulter already registered as an indigent consumer with the municipality.

The municipality is restricting and/or interrupting the supply of water of any defaulting consumer/property owner unless the defaulter already registered as an indigent consumer with the municipality. In terms of this condition the municipality must undertake such restriction/ interruption of water together with the municipal engineer(s) to ensure a minimum supply of waste water.

If the defaulting consumer/property owner is registered as an indigent consumer with the municipality, the monthly supply of electricity and water to that consumer/property owner physically restricted to the monthly national basic free electricity- and water limits of 50 Kilowatt electricity and 6 Kiloliters water, respectively.

Prepaid water meters are being installed so that the municipality is able to restrict the supply of water of any defaulting consumer. However electricity is limit to 50 kWh.

Condition 6.7 – Maintain a minimum average quarterly collection of rate and service charges

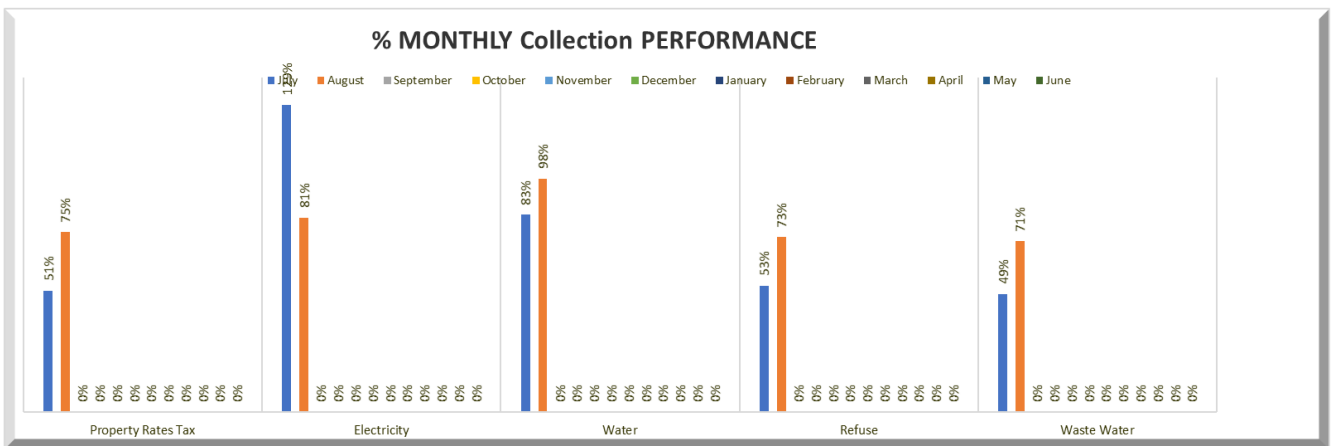
As alluded to above, the municipality's 2024/25 tabled MTREF is currently funded. Furthermore, the operational surplus projected in the A1 Schedule (Table A4) is realistic or credible based on the actual historic AFS and 2023/24 collection trends and is likely to materialize. The data strings initially

suggested a surplus, closer analysis has revealed that this was a correct representation. The A1 Schedule Table A4, as approved by the council, confirms the municipality has a surplus.

The municipality reported collection rate of 84 percent for the whole demarcation for end of June 2024 despite previously indicating that it has struggled since January to maintain 80% collection rate. However the ESKOM account has been paid monthly. Furthermore, the municipality has reported that no contract in place to do restriction in Eskom supplied area and Eskom does not provide access to their network.

Furthermore, the municipality reported that all attempts from the municipality side to request ESKOM to assist with collection of outstanding debt has been unsuccessful.

The municipality has submitted below graph that shows monthly collection performance from July 2024 until June 2025.



The municipality 2023/24, 2024/25 and 2025/26 tabled and adopted capital budgets and MFMA section 71 statements does reflected the approach to install smart pre-paid.

Furthermore, the municipality submitted below table which shows collection rate ward level revenue collection;

National Treasury
Municipal Debt Relief
MFMA Circular No. 124
Municipal Finance Management Act No. 56 of 2003

Municipal Details				
Northern Cape				
Code	District	Municipality	Period Monitored	No. Of Wards
N0602		Namaqualand	June	6

Collection Rate Assessment	Summary - Quarter 1				Q1	Summary - Quarter 2				Q2	Summary - Quarter 3				Q3	Summary - Quarter 4				Q4
	Billing	Collection	R - Billing not collected	% Collection		Billing	Collection	R - Billing not collected	% Collection		Billing	Collection	R - Billing not collected	% Collection		Billing	Collection	R - Billing not collected	% Collection	
1. Collection for whole demarcation	45 574 233	38 237 477	9 238 755	85%	85%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
2. Collection excl Eskom supplied areas	40 178 884	35 089 740	5 108 944	87%	87%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
3. Collection: Property Rates	11 469 489	8 085 655	3 383 834	70%	70%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
4. Total average collection: Electricity (Municipal supplied areas)	17 835 078	17 884 328	250 752	99%	99%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
5. Total average collection: Water	8 142 113	6 245 906	1 896 207	77%	77%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
6. Total average collection: Wastewater	3 570 428	1 951 264	1 619 164	55%	55%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
7. Total average collection: Refuse	4 557 124	2 478 425	2 088 699	54%	54%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			
8. Total average collection: Interest	-	-	-	#DIV/0!	0%	-	-	-	#DIV/0!	-	-	-	#DIV/0!	-	-	-	#DIV/0!			

Therefore Provincial Treasury is able to report on consistent billing and credit control enforcement in the municipality wards in the municipal area. The underperformance directly relates to areas supplied by Eskom. The Municipality execute credit control actions in areas supplied by the Municipality as it implements electricity disconnections and collects a percentage of the arrears when consumers purchase electricity tokens.

Condition 6.8 – Completeness of the Revenue Base

The municipality with the assistance of Mr. Johan Erasmus – MFIP Tech. Adviser, demonstrated through the National Treasury property rates reconciliation tool that the municipality’s billing system perfectly aligns to its Council approved General Valuation Roll (GVR) and/or any subsequent supplementary GVR compiled by the registered municipal valuer.

Furthermore, Mr. Johan Erasmus assisted the municipality with the submission of its completed billing system, GVR and/or interim GVR reconciliations required in terms of paragraph 6.8.1 to the National Treasury quarterly (refer MFMA Circulars no. 93, 98, 107 and 108) to the upload portal on <https://lguploadportal.treasury.gov.za>.

Condition 6.9 – Monitor and Report on compliance

The Northern Cape Provincial Treasury’s assessment included the MFMA S71 narrative statement and mSCOA data strings for June 2024, however, the section 71 received from the municipality did not fully comply with the format of National Treasury. Provincial Treasury will be engaging the municipality during August and September 2024 on the shortcomings and if possible, visit the municipality to assist with the narrative statement and uploading to the GoMuni portal.

Provincial Treasury via email also indicated to the municipality that the MFMA S71 Statement (Self-assessment) must also be assessed against the Municipal Budget-and Reporting Regulations, 2009 (MBRR) and the National Treasury MFMA S71 reporting guidance issued to debt relief municipalities on 10 June 2024 read in conjunction with paragraphs 9(i) to 9(ix) of the NT debt relief approval letter. The assessment of the MFMA S71 narrative statement include the following information:

MFMA S71 Statement component		Compliance (Yes / No)
1.	<i>The Budget Performance Overview (paragraph 4) of the MFMA S71 statement</i> explicitly advised on the municipality’s progress in implementing the municipality’s budget and (where relevant also the budget funding plan) – where implementation is slow, the statement advised explicitly on progress, challenges and corrective actions.	Yes
2.	<i>The conclusion (paragraph 14) of the MFMA S71 statement</i> explicitly advised as part of the MFMA Circular 124: Condition 6.9 reporting - i.Any risk associated; and ii.The mitigating factors	Yes

	with the implementation of the municipality's Budget Funding Plan and / or Funded Budget.	
3.	<i>Annexure B of the MFMA S71 statement included the following debt relief reporting components-</i>	
3.1.1	The municipality's MFMA Circular 124 self-assessment	Yes
3.1.2	The self-assessment (refer 3.1.1 above) was included in the format of MFMA Budget Circular 128 (Annexure B)	Yes
3.2	The municipality's overall relief compliance across the months of its debt relief participation since its National Treasury debt relief approval effective date	Yes
3.3	The latest Provincial Treasury debt relief compliance certificate and report issued to the municipality	No
3.4.1	The municipality's revenue collection performance <ul style="list-style-type: none"> i. the overall performance graph; ii. Summary worksheet; and iii. Collection per ward indicating who supplies electricity in the ward 	Yes
3.4.2	The revenue collection performance information (refer 3.4.2) was included in the format of MFMA Budget Circular 128 (Annexure D).	Yes
3.5.1	The indigent management information	Yes
3.5.2	The indigent management information was included in the format of MFMA Budget Circular 128 (Annexure C).	Yes
3.6.1	The summary of the municipality's property rates reconciliation undertaken in the National Treasury format.	No
3.6.2	The municipality's progress during the month against its planned corrective action to address any variances evident from the property rates reconciliation.	Yes
3.7.1	Any Eskom and Water (if the municipality has the Water function) Bulk current account invoice(s) due and payable during the month of reporting	No
3.7.2	The municipality's proof of payment of any such Eskom and / or Water Bulk current account invoice(s) during the month of reporting.	Yes
3.7.3	The municipality's reconciliation statement for electricity and water (if it has the function) aligning to the MFMA S71 mSCOA data strings upload.	No
3.8	Recommendations noting explicitly the aforementioned debt relief reporting to the Mayor and / or Mayoral Committee meeting	Yes

Furthermore, the municipality must ensure that it integrated its monthly debt compliance reporting into its MFMA S71 narratives as required and demonstrated its commitment to continuous improvement and adherence to the set of conditions. The municipality's MFMA Circular 124 self-assessment indicated several non-compliance issues. The remedial actions undertaken to achieve compliance and the timeframes thereof outlined in the MFMA S71 are noted and monitored by the Provincial Treasury.

The municipality must take the following remedial action in ensuring its section complies with the National Treasury guidelines

- Table of contents must be in the sequence of the guidelines and include all items as highlighted in the above table.

Condition 6.10 – Provincial Treasury certification of municipal compliance

The Provincial Treasury notes that subsequent, all the PT's outstanding compliance assessments and reports for Nama-Khoi Local Municipality (**July 2023 – August 2024**) were compiled and issued to the National Treasury and municipality as part of the PT's August 2024 debt relief submission. The PT also designated Mr. Given Mathebula - MFIP Advisor and Mr. Joseph Mekgwe to going forward facilitate timely and quality debt relief submissions to the HOD and that such are issued by the Northern Cape PT to Nama-Khoi Local Municipality and the National Treasury before the 20 working days after month-end deadline on a monthly basis going forward.

Condition 6.11 – Limitation on Municipal Borrowing powers

The limitation on municipality borrowing powers and the prohibition of borrowing during debt relief periods form a dual regulatory framework aimed at ensuring fiscal responsibility. Compliance necessitates meticulous scrutiny of borrowing activities to ascertain adherence to authorized limits and program guidelines. These measures, while promoting sustainable debt management, also stabilize the municipality's financial standing, prevent over-leveraging, and mitigate immediate financial strain. Adhering to these regulations is paramount for maintaining creditworthiness, mitigating financial risks, and safeguarding the municipality's long-term financial health. Thus, robust oversight and adherence to regulatory frameworks are imperative for prudent financial governance and sustained fiscal resilience.

The municipality complied with this condition since its debt relief effective date of 01 July 2023, to date.

Condition 6.12 – Proper management of resources

It is noted that during February 2024, the National Treasury: Office of the Accountant General (OAG) issued the Supplementary Guide to MFMA Circular 124 on 21 February 2024. In terms of the guidance, the municipality no longer have to maintain a separate bank account for debt relief purposes as envisaged in MFMA Circular 124 (Condition 6.12), however, irrespective of whether a municipality decides to discontinue a separate bank account, ring-fencing for debt relief purposes must be enabled and demonstrated through the municipality's monthly mSCOA data string submissions.

Condition 6.14 – NERSA License

By having applied for Municipal Debt Relief, the council of a municipality that during the duration of the Municipal Debt Relief Programme fails to comply with any condition of the Relief, agreed to make an application to NERSA to voluntarily revoke the municipality's license in terms of section 17 of the

Electricity Regulation Act, 2006 (Act no. 4 of 2006). It is noted that this condition will only come into effect if the municipality's participation in the debt relief programme is terminated.

Provincial Treasury Compliance Certification

The Provincial Treasury certifies that it monitored and assessed NC062 Nama-Khoi Local Municipality compliance against the MFMA Circular 124 conditions and NT debt relief approval letter as set-out below in the PT's compliance certificate for the municipality in relation to the period 01 July 2023 – 30 June 2024:



Annexure A2 - Monthly

National Treasury
Municipal Debt Relief
MFMA Circular No. 124
Municipal Finance Management Act No. 56 of 2003

Northern Cape Provincial Treasury

Certificate of Compliance: Municipal Debt Relief Conditions for Application

Period

Aug'24

National Financial Year

2024/25

Demarcation Code of Municipality being assessed

NC062

District

Namakwa

Demarcation Description

Nama Khoi

I, [Dr. Moses Gasela](#), hereby certify that the provincial treasury monitored the compliance against the conditions of Municipal Debt Relief as set-out in **MFMA Circular No. 124** and that the Provincial Treasury is satisfied and certifies that the said municipality fully complies with the conditions as set-out in the table below:

Municipal Debt Relief Conditions (Monthly reporting)

Choose from drop down list

Condition	6,3 + 6,12	Maintaining the Eskom and bulk water current account – <small>(current account for the purpose of this exercise means the account for a single month's consumption):</small>	
1	6.12.2	- Has the municipality paid its bulk water current account within 30 days of receiving the relevant invoice (this applies to all municipalities, including metros)? <i>Note - refer condition 6.12 .2</i>	Yes
2	6.12.2	- Has the municipality submitted the supporting evidence of the bulk water current account payment to the National Treasury, the Water Board and/ or Water Trading Entity within 1 day of making any such payment (in PDF format) via the GoMuni Upload Portal https://lguploadportal.treasury.gov.za?	Yes
3	6.12.2	- Does the amount of the bulk water current account payment as per the proof of payment reconcile to the amount recorded on the financial system as per the mSCOA data string and the section 41(2) MFMA statement of the Water Board and/ or Water Trading Entity?	Yes
4	6.3.1	- Has the municipality paid its Eskom bulk current account within 30 days of receiving the relevant invoice (this applies to all municipalities, including metros)? <i>Note - current account in terms of municipal debt relief approval means the total Eskom charges for the billing period plus VAT plus any component that may be due in terms of a payment arrangement of "New arrears" (March 2023 and / or subsequent current account(s) up to the date of NT approval of the application.</i>	Yes
5	6.3.2 6.3.3	- Has the municipality submitted the supporting evidence of the bulk Eskom current account payment to the National Treasury and Eskom within 1 day of making any such payment (in PDF format) via the GoMuni Upload Portal https://lguploadportal.treasury.gov.za?	Yes
6	6.3.4	- Does the amount as per the proof of payment reconcile to the amount recorded on the financial system as per the mSCOA data string and the section 41(2) MFMA statement of Eskom?	Yes
6,4	Compliance with a funded MTREF – <i>(choose from drop down list the MTREF assessed)</i>		2024/25 Tabled MTREF
7	6.4.1	- Is the municipality's MTREF funded and aligning to the National Treasury's Budget Funding Guidelines - http://mfma.treasury.gov.za/Guidelines/Pages/Funding.aspx ?	Yes
8	6.4.1	- Has the municipality budgeted for any operating surplus on the A1 Schedule (Table A4 – Budgeted Financial Performance) of the Municipal Budget- and Reporting Regulations?	Yes
9	6.4.1	- Has the municipality made adequate provision for debt impairment <i>(considering the actual collection of revenue and property rates during the 12 months immediately preceding the tabling of the budget)</i> on the A1 Schedule (Table A4 - Budgeted Financial Performance) of the Municipal Budget-and Reporting Regulations?	Yes
<p><i>Note - For example, if the municipality during the preceding 12 months only managed to collect 60 per cent of its revenue (also property rates), the provision for debt impairment aligning with the historic collection trend should align to 40 per cent of the 2023/24 MTREF revenue projections (also propert rates). If the municipality merely used the debt impairment to 'balance' the budget and there is no real alignment between the provision for such with the actual collection of revenue, the Provincial Treasury must respond to this item as: "No".</i></p>			
10	6.4.1	- Has the municipality made adequate provision for depreciation and asset impairment <i>(considering its asset register and physical state of assets)</i> on the A1 Schedule) Table A4 - Budgeted Financial Performance) of the Municipal Budget-and Reporting Regulations?	Yes

		<i>Note - If the municipality merely used the depreciation and asset impairment to 'balance' the budget and there is no real alignment between the provision for such with the state of assets/asset register, the Provincial Treasury must respond to this item as: "No".</i>	
11	6.4.2	- If the municipality's MTREF is not funded , has it tabled and adopted a credible Budget Funding Plan as part of the MTREF budget (refer item 9.3 of MFMA Budget Circular no. 122, 09 December 2022)?	N/A - the MTREF is funded
		<i>Note - if the municipality has an FRP, a separate budget funding plan is not necessary. However, the PT / NT must assesses whether the existing FRP incorporates / will give effect to a funded MTREF. If not, the FRP requires strengthening.</i>	
12	6.4.2	- If the municipality's MTREF is not funded and it has an FRP per the legislative framework , does the existing FRP incorporate a credible Budget Funding Plan (will the FRP give effect to a funded MTREF over the period of the FRP) - aligning with the principles of a budget funding plan as envisaged in item 9.3 of MFMA Budget Circular no. 122, 09 December 2022)? <i>Note - only if the municipality does not have an FRP may "N/A" be selected from the dropdown list.</i>	N/a
13	6.4.2	- Does the municipality's annual and monthly cashflow projections included on the A1 Schedule (Table A7 - Budgeted Cash Flows and Supporting Table SA 30 – Budgeted Monthly Cash Flows) of the Municipal Budget and Reporting Regulations aligns with and gives effect to the municipality's Budget Funding Plan strategy (or the FRP strategy) and related seasonal trends (For example higher winter Eskom tariffs, lower January collection rates, etc.?)	Yes
14	6.5	Cost reflective tariffs – (excluding metros) has the municipality included its completed tariff tool (refer MFMA Circular no. 98 and item 5.2 of MFMA Budget Circular no. 122) as part of the municipality's annual tabled and adopted MTREF submissions with effect the tabling of the 2023/24 MTREF?	Yes
	6.6	Electricity and water as collection tools – has the municipality, with effect from the tabling of the 2023/24 MTREF, demonstrated, through its by-laws and budget related policies that:	
15	6.6.1	- the municipality issues a consolidated monthly bill to all consumers/property owners in terms of which all partial payments received are allocated in the following order of priority: firstly, to property rates, thereafter to water, wastewater, refuse removal and lastly to electricity?	Yes
16	6.6.2	- the municipality disconnects electricity services and/or block the purchasing of pre-paid electricity of any defaulting consumer/property owner unless the defaulter already registered as an indigent consumer with the municipality?	Yes
17	6.6.3	- the municipality is restricting and/or interrupting the supply of water of any defaulting consumer/ property owner unless the defaulter already registered as an indigent consumer with the municipality? <i>Note: In terms of this condition the municipality must undertake such restriction/ interruption of water together with the municipal engineer(s) to ensure a minimum supply of waste water.</i>	Yes
18	6.6.4	- If the defaulting consumer/property owner is registered as an indigent consumer with the municipality, is the monthly supply of electricity and water to that consumer/property owner physically restricted to the monthly national basic free electricity- and water limits of 50 Kilowatt electricity and 6 Kilolitres water, respectively? <i>Note – the municipality's monthly MFMA s.71 statement must include as part of the narratives the Indigent Information in the required NT format.</i>	Yes
	6.6	<i>Supporting evidence : The National Treasury and/ or provincial treasury's related budget assessment confirms the municipality's relevant MTREF's related budget policies and by-laws demonstrate compliance with paragraph 6.6.</i>	
	6.7	Maintain a minimum average quarterly collection of property rates and services charges –	
19	6.7.1	- Has the municipality achieved a minimum of 80 per cent average quarterly collection of property rates and service charges with effect from 01 April 2023 and 85 per cent average quarterly collection with effect from 01 April 2024 during any quarter - demonstrated in the MFMA s.71 monthly and quarterly statement(s) and mSCOA data strings uploaded via the GoMuni Upload Portal?	Yes


		<i>Note - although the norm and standard for collection (MFMA Circular No. 71) is a 95 per cent threshold, municipalities under the debt relief support will be exempted for the first two years from adhering to this norm.</i>	
	6.7.2	- If the response in 6.7.1 is "No" and the municipality is unable to achieve the minimum average quarterly collection as per paragraph 6.7.1, has the municipality demonstrated to the satisfaction of National Treasury the following :	
20	6.7.2.1	* the 'underperformance' directly relates to Eskom supplied areas where the municipality does not have electricity as a collection tool <u>and</u> that the average quarterly collection of the municipality (excluding Eskom supplied areas) equals the required quarterly average collection set-out in paragraph 6.7.1:	Yes
21	6.7.2.2	* the municipality for technical engineering reasons is unable to physically restrict and/or limit the supply of water in the Eskom supplied area(s)?	Yes
22	6.7.2.3	* the municipality before 01 February 2024 attempted to enter into a service delivery agreement with Eskom for purposes of municipal revenue collection in the Eskom supplied area(s) as envisaged in sections 76 to 78 of the Municipal Systems Act, 2000 and that such failed <u>and</u> the reason(s) for the failure?	Yes
23	6.7.3	- The municipality has progressively installed smart pre-paid meters in the municipality supplied areas to improve its collection <u>and</u> only then, on an individual case-by-case basis, considered writing off the debt of its customers, within its normal credit control process?	Yes
24	6.7.4	- Has the municipality adopted a policy to install any new electricity connection in the demarcated area with effect the 2023/24 MTREF with a smart pre-paid meter?	Yes
25	6.7.5	- Has the municipality's 2023/24, 2024/25 and 2025/26 tabled and adopted capital budgets and MFMA section 71 statements reflected the approach set-out in 6.7.3 and 6.7.4?	Yes
	6,8	Municipality's Completeness of the revenue base –	
26	6.8.1	- Has the municipality demonstrated through the National Treasury property rates reconciliation tool that the municipality's billing system perfectly aligns to its Council approved General Valuation Roll (GVR) and/ or any subsequent supplementary GVR compiled by the registered municipal valuer?	Yes
27	6.8.1	- If the response in 6.8.1 is "No", has the municipality demonstrated the steps taken to correct the variances identified? <i>Note - monthly progress against the action plan to address variances to be included as part of the municipality's debt relief compliance reporting in the MFMA s.71 statement</i>	Na
28	6.8.2	- For the latest ending Quarter -Has the municipality submitted its completed billing system, GVR and/or interim GVR reconciliations required in terms of paragraph 6.8.1 to the National Treasury quarterly (refer MFMA Circulars no. 93, 98, 107 and 108) to the upload portal on https://lguploadportal.treasury.gov.za ?	No
	6,9	Monitor and report on implementation –	
29	6.9.1	- MFMA section 71 reporting – has the municipal council and senior management team instituted processes to monitor and enforce accountability for the implementation of the municipality's funded budget and Budget Funding Plan where relevant?	Yes
30	6.9.2	- If progress is slow in terms of paragraph 6.9.1, is the active intervention evident from the narratives supporting the municipality's monthly MFMA section 71 reporting and recorded on the financial system as per the mSCOA data string? <i>Note - condition 6.9.2 has a typing error and must refer to 6.9.1.</i>	Yes
31	6.9.3	- Municipalities with financial recovery plans (FRP) – if the municipality has a FRP as envisaged in the prevailing local government legislative framework, is the municipality reporting monthly its progress in implementing its FRP to the Provincial Executive?	No FRP
32	6.9.4	- If the municipality has an FRP, with effect from 01 April 2023, parallel to submitting its monthly FRP progress report to the Provincial Executive, has the municipality also submitted the FRP progress report to the National Treasury: Municipal Financial Recovery Service (MFRS) timeously via the GoMuni Upload Portal https://lguploadportal.treasury.gov.za ?	No FRP
		<i>Note - a municipality with a FRP may only benefit from the Municipal Debt Support programme if the FRP progress report was submitted to both the Provincial Executive and MFRS.</i>	

	6.10	Provincial Treasury Note - Provincial Treasury certification of municipal compliance – in terms of section 5 and 74 of the MFMA, with effect from 01 April 2023, a delegated municipality may not benefit from Municipal Debt Relief, unless:	
33	6.10.1	- has the relevant Provincial Treasury (delegated) / National Treasury (non-delegated) monthly monitored the municipality's compliance in terms of these conditions?	Yes
34	6.10.2	- has the Head of the relevant Provincial Treasury (delegated) monthly certified the municipality's compliance to these conditions, to the National Treasury's satisfaction as envisaged in the conditions for provincial treasuries (refer paragraph 4.1.1 to 4.1.5 of MFMA Circular no. 124) and timeously uploaded the compliance certificate via the GoMuni Upload Portal https://lguploadportal.treasury.gov.za ? <i>Note - in the case of a non-delegated municipality the National Treasury to issue the compliance certificate.</i>	Yes
35	6.10.3	- has the Provincial Treasury failed to rectify any provincial treasury non-compliance with any of the conditions for provincial treasuries (refer paragraph 4.1.1 to 4.1.6 of MFMA Circular no. 124) within one month of the non-compliance occurring?	No
		<i>Note - if the PT failed to address its failure such non-compliance will be considered as non-compliance by the municipality in terms of paragraph 6.1.1.</i>	
36	6.11	Limitation on municipality borrowing powers - has the municipality borrowed since its initial or any subsequent benefit in terms of this municipal debt support programme?	No
		<i>Note - there is a prohibition on municipal borrowing for three consecutive municipal financial years from the date of the municipality's initial or any subsequent benefit in terms of this municipal debt support programme. NT confirms that MFMA Circular No. 124: condition 6.11 (Limitation on municipality borrowing powers) will only be enforced in relation to new long term loans (entered into after the effective date of debt relief approval) as envisaged in MFMA section 46. Short term borrowing, including making use of an overdraft for in-year bridging purposes are not considered within the ambit of this condition.</i>	
	6.12	For the duration of the Municipal Debt Relief (to ensure proper management of resources):	
37	6.12.1	- has the municipality apportioned and ring-fenced in a sub-account to its primary bank account – (a) all electricity, water and sanitation revenue the municipality collects in any month; and (b) the component of the Local Government Equitable Share (LGES) the municipality earmarked to provide free basic electricity, water and sanitation?	Yes
38	6.12.2	- has the municipality during the month first applied the revenue in the sub-account (required per paragraph 6.12.1) to pay its current Eskom account and then secondly its bulk water current account before it applied the revenue in the sub-account for any other purpose?	Yes
		<i>Note: Only if relevant in the specific circumstances, will a request be made to the Minister of Finance upon the municipality's request to exempt the municipality from MFMA s.8(3).</i>	
39		Supporting evidence : Has the municipality submitted a copy of the monthly bank statement of its ring-fenced bank account to the National Treasury and provincial treasury aligning to its MFMA s.71 statement collected revenue.	Yes
40	6.13	Accounting Treatment - has the municipality fully accounted for and correctly reported on the write-off of its Eskom arrear debt (debt existing as on 31 March 2023) as per any written instruction of the National Treasury: Office of the Accountant General issued for Municipal Debt Relief to date? <i>Note - to include accounting for any related benefit (e.g. interest suppression, etc.) and alignment with mSCOA.</i>	Yes
41	6.14	'NERSA License - has the municipality during the month failed to comply with any condition of the Municipal Debt Relief?	Yes
		<i>Note: By applying for Municipal Debt Relief as set-out in paragraph 3. of MFMA Circular no. 124, the council of a municipality that during the duration of the Municipal Debt Relief programme fails to comply with any condition of the Relief, agrees to apply to NERSA to revoke the municipality's license in terms of section 17 of the Electricity Regulation Act, 2006 (Act no. 4 of 2006). Any such application must be preceded by the relevant processes for appointing an external mechanism as envisaged in Chapter 8 of the Municipal Systems Act, 2000, including the necessary service delivery agreement aligning with the Municipal Systems Act, 2000 and Electricity Regulation Act, 2006. In terms of the conditions of government's wider support to Eskom, Eskom will once again have to enforce its credit control and debt collection policies also in relation to the municipality's arrears that are the subject of municipal debt relief, etc.</i>	

Northern Cape Provincial Treasury's assessment and compliance certificate confirmed that Nama-Khoi Local Municipality during August 2024 did not fully comply with all the MFMA Circular 124 conditions and was elaborated on above. It is also noted that the municipality's August 2024 above moderate compliance of **95%** and has declined from the **98%** achieved during July 2024. The 90% score of the municipality is as a result of the condition 6.4 on the funding position during the 2023/24 financial year in which the budget was unfunded and the budget for the 2024/25 financial year is still unfunded, but the municipality is submitting a funding plan on a continuous basis. The automated

performance report is indicative that the municipality is likely to receive the 1/3 Eskom debt write-off at the end of its first 12 month compliance cycle at 30 June 2024, which is now due. The municipality should continue to strengthen its implementation of the relief conditions to fully benefit from the relief by a return to basic financial management best practice.

Yours sincerely,



B. Mgaguli
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Date:

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