

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTIONS FOR WRITTEN REPLY**

**QUESTION NUMBER 2017/52**

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**52. Mr A M Figlan (DA) to ask the Minister of Cooperative Governance and Traditional Affairs:**

(1) Whether the Naledi Local Municipality in the North West faces imminent restrictions on the use of electricity as a result of failing to pay its Eskom bills; if not, what is the position in this regard; if so, (a) what are the full reasons for the specified municipality’s failure to meet its financial obligations to Eskom, (b) by what date will it settle its debt and (c) what steps are being taken to ameliorate the impact of the restrictions and resolve the problem;

(2) whether all revenue generated by the so-called smart-meter system in the municipality is utilised to settle its bulk electricity costs; if not, (a) why not and (b) what are the specified funds being used for; if so, what are the full relevant details of all (i) income generated and (ii) payments made for bulk electricity costs since 1 June 2016;

(3) whether his department has taken any steps to ensure that the situation between the municipality and Eskom are normalised in the long term; if not, why not; if so, what are the relevant details of each intervention implemented to date;

(4) whether any steps have been taken to negotiate with Eskom to address municipalities’ concerns around the (a) interest rate charged and (b) 15-day billing cycle used by Eskom; if not, in each case, why not; if so, what are the relevant details in each case? NW56E

**REPLY:**

1. Yes.
2. The municipality has been struggling to make monthly payments to ESKOM.

Numerous payment arrangements were made but the municipality did not

honour them as it is facing cash flow challenges. As a result, the municipality

made two payments towards ESKOM electricity account.

On 28 July 2016 an amount of R10 290 026.61 was paid and on 31 January 2017 an amount of R25 500 000.00 was also paid into the ESKOM electricity count. To date, a total amount of R35 790 026.61 million has been paid to ESKOM to service outstanding debt.

1. The Naledi Local municipality has entered into a payment agreement with ESKOM and the total outstanding amount of R215 845 376.54 will be paid over a period of four (4) years.
2. The municipality has drafted a financial turnaround strategy and the cash flow situation is expected to improve in the next three (3) to five (5) years. The debt collection strategy is being implemented and the faulty electrical meters have been replaced.
3. No. Not all revenue generated from the sales of pre-paid electricity has been

used to settle the bulk electricity costs.

1. The municipality is struggling to collect revenue from the sale of other services (i.e. refuse, water, sanitation and property rates).
2. Money collected from pre-paid electricity was used to cross-subsidize other municipal services and day-to-day operations.
3. the table below indicates the total income generated from the smart meters.



|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Detail** | **Opening / closing balance and other movements** | **Expenditure incurred** | **VAT** | **Interest on overdue account** | **Payments made** | **Closing Balance** |
| Opening balance as on 1 July 2016 | 175 977 953,47 | - | - | - | - | 175 977 953,47 |
| Consumption for July 2016 | 175 977 953,47 | 8 930 384,12 | 1 250 253,78 | 2 053 567,38 | (10 290 026,61) | 177 922 132,14 |
| Consumption for August 2016 | 177 922 132,14 | 8 845 901,78 | 1 238 426,25 | 2 391 814,42 | - | 190 398 274,59 |
| Consumption for September 2016 | 190 398 274,59 | 5 386 705,88 | 754 138,83 | 2 399 131,41 | - | 198 938 250,71 |
| Consumption for October 2016 | 198 938 250,71 | 5 022 234,73 | 703 112,87 | 2 769 727,86 | - | 207 433 326,17 |
| Consumption for November 2016 | 207 433 326,17 | 5 616 217,03 | 786 270,39 | 2 448 430,04 | - | 216 284 243,63 |
| Consumption for December 2016 | 216 284 243,63 | 5 229 458,92 | 732 124,25 | 2 736 608,96 | - | 224 982 435,76 |
| Consumption for January 2017 | 224 982 435,76 | 4 924 194,91 | 689 387,29 | 2 986 881,09 | (25 500 000,00) | 208 082 899,05 |

1. payments made for bulk electricity costs since june 2016.

(3)Yes.

On 12 January 2017, there was an engagement between the Minister and the Premier of the North West Province to discuss the challenges facing the municipalities, in particular, their failure to pay the ESKOM electricity accounts.

A Task Team was established to support the municipality and address all revenue related challenges faced by the municipality. Among other matters attended to by the Task Team, were the following:

* the municipality was assisted to negotiate a new payment agreement with ESKOM;
* Government departments that owe the municipality were engaged and requested to settle their outstanding debt

(4)Yes.

The engagements with ESKOM are continuing. ESKOM has to finalize and make an announcement on the suspension of interest charged as well as the 15-day billing cycle.