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Verwysing: 5/5/1/2
Reference:

Navrae:
Enquiries: Mr. M.M. Hoogbaard

Datum: 21 January 2016
Date:

OFFICE OF THE EXECUTIVE MANAGER: FIANCIAL SERVICES

For attention: Mr. T.V. Pillay

Chief Director: Local Government

DEPARTMENT: NATIONAL TREASURY
PRIVATE BAG X115
PRETORIA
0001

By email: tv.pillay@treasury.gov.za

Dear Mr. Pillay,

**RE: DEPARTURE FROM CONDITION IMPOSED BY MFMA IN TERMS OF
SECTION 170 MFMA**

The abovementioned matter refers.

This serves to inform you that Eskom has issued a notice informing the public that it will discontinue electricity supply to Kannaland Municipality effective on 26 February 2016, due to our arrear payments in the amount of around R12m.

This position was brought about by huge municipal debt we inherited as the current senior management and due to our low cash flow, being a small municipality servicing mostly an indigent community. Notwithstanding this, we obtained unqualified audit reports for the past two financial years, it being the first for Kannaland Municipality and its predecessors in more than twenty years.

We have also entered into a payment arrangement with Eskom on the arrear debt, albeit under duress, in that we told Eskom at the time that the amount they wanted us to pay was not realistic, given our cash flow issues. Notwithstanding this, Eskom insisted that we accept a payment arrangement of around R750 000 per month in addition to our current monthly electricity account.

Needless to say, we defaulted on the arrear payments, not because we don't want to pay, but merely because the additional payment on the arrears is too much.

Due to the Eskom notice aforementioned, we have now engaged with the municipality's banking partner, Standard Bank, who is willing to give us a long term

loan to, amongst other, settle our arrear Eskom debt. The repayments to Standard for such a loan will be in the region of around R110 000 per month.

Given the date issued by Eskom for discontinuation of electricity supply, we would not be in a position to take up the envisaged Standard Bank loan in total compliance with section 46(3)(a)(i) of the MFMA, being the 21 day notice to the public setting out the proposed debt.

In this regard, we hereby request a departure from the aforementioned provision of the MFMA to the extent that the notice period be reduced to one week, (five working days), rather than 21 days.

A council meeting is scheduled for Monday 25 January 2016 for Council to take decisions in this matter.

No doubt, I accept you understand the urgency in your response to my request.

I trust you find the above to be in order, and I thank you in anticipation thereof.

Yours sincerely,



PP M.M. HOOGBAARD
MUNICIPAL MANAGER

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