ANNEXURE B

Instructions – *this template provides guidance on the minimum information the National Treasury requires to consider the municipality’s application for Municipal Debt Relief. Should the municipality elect to use this template - the municipality’s final submission should not include any of the guidance notes/ highlights. The municipality may use its own council template, subject to including the minimum required information as per MFMA Circular No. 124 (item 3.9).*

ITEM

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| *MUNICIPAL DEBT RELIEF APPLICATION SUBMITTED FOR INCLUSION IN AGENDA OF* [amend to municipality specifics]*:* | | |
| X | EXCO MEETING OF (DATE) | |
| X | SECTION 79/80 MEETING OF (DATE) (DATE) | |
| X | MAYORAL COMMITTEE MEETING OF (DATE) | |
| X | COUNCIL MEETING OF (DATE) | |
| X | BUDGET STEERING COMMITTEE MEETING OF (DATE) | |
| CLUSTER: xXXX  DEPARTMENT: XXXXX  AUTHOR(S): Xxxx  DATE GENERATED: XX March 2023 | | |
| AUTHORISED: | | |
| CFO: | | MUNICIPAL MANAGER: |
| DATE: | | DATE: |

MUNICIPAL DEBT RELIEF APPLICATION OF XX [INSERT DEMARCATION CODE AND NAME] MUNICIPALITY

(x/x/2023 [insert the municipality’s reference number])

ITEM

MUNICIPAL DEBT RELIEF APPLICATION

PURPOSE

To motivate and obtain the approval of Council for XX [INSERT DEMARCATION CODE AND NAME] LOCAL MUNICIPALITY to apply to the National Treasury for Municipal Debt Relief in terms of MFMA Circular no. 124 issued on xx March 2023.

BACKGROUND AND MOTIVATION

1. The Minister of Finance, in the 2023 Budget Speech announced conditional debt relief for all municipalities that owes Eskom on 31 March 2023 *(including interest and penalties*). The Municipal Debt Relief does not apply to any municipality’s March 2023 current Eskom account. Any municipality that owes Eskom arrears, interest or penalties on 31 March 2023 qualify for this relief subject to Council’s successful written application to the National Treasury. The National Treasury issued the conditions for Municipal Debt Relief and the application process in MFMA Circular No. 124. The Circular is included in **Attachment 1** to this resolution for Council’s information and noting. There are several conditions, all essentially aimed to restore a set of *basic minimum financial management best practices* in any municipality owing Eskom and change the municipal culture of not paying bulk suppliers and a municipal and Eskom culture to not collect revenue.
2. A critical component of the conditions therefore relates to achieving a funded budget. This encompasses cost-reflective tariffs, ensuring a complete revenue base, aligning spending patterns to collection levels and optimising and enforcing collection by using both electricity and water as collection tools. A municipality that is unable to pay its creditors must be prudent when spending and borrowing until financial health is restored, the conditions enforce this prudence. Municipal finances should focus on delivery of the core mandate of basic services. The conditions necessitate the ring-fencing/ prioritisation of finances for this purpose.
3. If the municipality fails to meet any of the conditions during the period of the Municipal Debt Relief:
   1. The benefits of the Relief to the municipality will immediately cease;
   2. This means that Eskom will be obliged to implement its credit control and debt management policy on the defaulting municipality and the municipality must immediately start repaying its Eskom arrears, interest and penalties;
   3. Eskom may resume any legal proceedings (relating to the municipality’s arrear debt, interest and penalties as of 31 March 2023); and
   4. The normal penalties applicable to the wider local government will also apply, including that the National Treasury could institute financial misconduct and/ or criminal proceedings against any official responsible for the municipality failing to meet the conditions, and a possible immediate invoking of section 216 of the Constitution, etc.
4. Municipality to add its own motivation.

[MFMA Circular 124 (item 3.2) - include the municipal manager and chief financial officer’s joint motivation (a maximum of 5 pages) explaining in layman’s terms to council why the municipality should apply to benefit from Municipal Debt Relief, including the service delivery and cashflow impact should the municipality’ application be denied]

DISCUSSION

*The conditions of Municipal Debt Relief*

1. The municipality’s application for Municipal Debt Relief must include the municipal council’s commitment (in the format of a council resolution) to fully meet the conditions for Municipal Debt Relief. Once the municipality’s application is approved, council must demonstrate its compliance to these conditions to the National Treasury’s satisfaction for a continued minimum period of 36 consecutive months. Council to note the conditions of Municipal Debt Relief included in **Attachment 1 - MFMA Circular No. 124 *(Item 6.1 - 6.14).***

*Council’s plan to monthly monitor and comply with the conditions for Municipal Debt Relief*

1. The municipality’s application to the National Treasury for Municipal Debt Relief must include a plan (approved by Council) to monthly monitor and report the municipality’s compliance with the conditions for Municipal Debt Relief (refer **Attachment 1 - MFMA Circular No. 124 *(Item 3).***
2. A plan for this purpose is proposed and included in **Attachment 2** to this resolution for Council’s consideration. The plan:
3. Addresses all the conditions the municipality will need to meet for 12 consecutive months to qualify for the Eskom write-off of one third (Rxxx [include 1/3 of the actual Rvalue of the municipality’s Eskom arrears]) of the total Rxxx [include the actual Rvalue of debt owed Eskom on 31 March 2023 (including all interest and penalties but excluding the March 2023 current account] *(this amount includes the related interest and penalties but excludes the March 2023 current Eskom account),* the municipality owes Eskom as of 31 March 2023.
4. Includes the minimum information the National Treasury stipulated in Item 3 of MFMA Circular 124 (refer **Attachment 1**).
5. To qualify for the 2nd third and 3rd third write-off of this debt, the municipality will need to meet the conditions for the 12 consecutive months of each of the two outer years of the Municipal Debt Relief programme as well (in totality the municipality must comply with these conditions for 36 consecutive months).
6. It is recommended that Council consider and approve the plan included in **Attachment 2** of this resolution as part of the Municipality’s application to the National Treasury.

[Include as Attachment 2 the municipality’s own plan to monitor its compliance with the Municipal Debt Relief Conditions.]

*Municipal Debt Relief – Indigent related information*

1. MFMA Circular 124 (Item 3.6) stipulates that Council’s application for Municipal Debt Relief must include certain minimum information relating to indigent households and in the format of the Municipal Budget and Reporting Regulations, 2009 (Table A10 format). The information is included in **Attachment 3** to this resolution for Council’s noting and approval as part of the municipality’s application and submission to the National Treasury.

[Include as an **Attachment 3** the municipality’s indigent information as set-out in item 3.6 of MFMA Circular No. 124]

*Municipal Debt Relief - Revenue Collection related information*

1. MFMA Circular 124 (Item 3.7), requires Council’s application for Municipal Debt Relief to include certain minimum revenue collection related information for the municipal quarter immediately preceding the municipality’s application for Municipal Debt Relief. The information is included in **Attachment 4** to this resolution for Council’s noting and approval as part of the municipality’s application and submission to the National Treasury.

[Include as an **Attachment 4** the municipality’s revenue collection information as set-out in item 3.7 of MFMA Circular No. 124]

*Municipal Debt Relief – Completeness of the municipal revenue base*

1. In terms of MFMA Circular 124 (Item 3.8), the municipality’s application for Municipal Debt Relief will only be considered if the municipality already submitted its completed billing system, general valuation roll (GVR) and/ or interim GVR reconciliations to the National Treasury ((refer MFMA Circulars no. 93, 98, 107 and 108) *for the quarter immediately preceding the municipality’s application*. The municipality’s proof of submission of the information is included in **Attachment 5** to this resolution for Council’s noting and approval as part of the municipality’s application and submission to the National Treasury.

[Include as an **Attachment 5** the municipality’s proof of submission of the property rates reconciliation as per (refer MFMA Circulars no. 93, 98, 107 and 108).]

RESOLUTIONS

1. It is recommended that council:
   1. Notes the Municipal Debt Relief and that Council needs to make a written application to the National Treasury to qualify for the relief as set-out in MFMA Circular 124 (included in Attachment 1);
   2. Notes and approves the Municipal Manager and Chief Financial Officer’s motivation included as part of the municipality’s application for Municipal Debt Relief;
   3. Notes and approves the conditions for Municipal Debt Relief set out in MFMA Circular 124 (item 6.1 to 6.14) (included in Attachment 1) and commits to demonstrate its compliance to these conditions to the National Treasury’s satisfaction for a continued minimum period of 36 consecutive months;
   4. Notes and approves the plan to monthly monitor and report the municipality’s compliance with the conditions for Municipal Debt Relief included in Attachment 2;
   5. Notes and approves the submission to the National Treasury of the indigent information included in Attachment 3;
   6. Notes and approves the submission to the National Treasury of the revenue collection related information included in Attachment 4;
   7. Notes and approves the submission of the information to the National Treasury demonstrating the completeness of the municipality’s revenue base included in Attachment 5; and
   8. Notes and approves that council’s signed resolution and instruction to the municipal administration to the effect that Council approved the motivation, the conditions and the municipality’s Debt Relief monitoring plan is submitted to the National Treasury as the municipality’s application for Municipal Debt Relief as required in MFMA Circular 124 (Item 3.5).

*This resolution of the XX Municipal Council and the Attachments (1 – xx) is certified as a true and correct representation of Council’s resolution(s) on xx Month 2023 by the following officials and dignitaries:*

*[*Every page of this resolution and each of the Attachments needs to be initialled by all the signatories and submitted to the National Treasury as part of the municipality’s application for Municipal Debt Relief]

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| --- | --- |
| Signatures: |  |
| MM to sign here | CFO to sign here |
| Municipal Manager: Name and Surname  [Insert name and surname] | Municipal Manager: Name and Surname  [Insert name and surname] |
| Date: | Date: |
|  | |
| MMC for Finance to sign here | Speaker of Council to sign here |
| The MMC for Finance: Name and Surname  [Insert name and surname] | The Speaker: Name and Surname  [Insert name and surname] |
| Date: | Date: |
|  | |
| Executive Mayor to sign here |  |
| Executive Mayor: Name and Surname  [Insert name and surname] |
| Date: |
|  | |