

**FS5 of 2019**

**MONTHLY FINANCE REPORT – JANUARY 2019 (CFO) (6/4/1)**

**PURPOSE**

To submit to the Finance Section 80 Committee the Monthly Finance Report for January 2019 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003.

**BACKGROUND**

Section 71 of the Municipal Finance Management Act no 56 of 2003 states that the Accounting Officer must submit to the Executive Mayor a statement in a prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

- 1) Actual revenue per revenue source
- 2) Actual borrowings
- 3) Actual expenditure per vote
- 4) Actual capital expenditure per vote
- 5) The amount of any allocations received
- 6) Actual expenditure on allocations received

The compilation of the Section 71 report is as follows:

1. After the billing cycle the Income Department compile the income reports which consist of the following and submit to the Budget Department:
  - Billing and Income per month
  - Top Outstanding debtors for the month
  - Income per ward
  - Debtors age analysis per service
2. After month end the ICT Department runs all the month end reports.
3. The Budget Department then extracts the required income and expenditure information from Solar. This is done with the GS 560 procedures. This report shows the transactions for the month VAT EXCLUSIVE.
4. The Expenditure Department provides the Budget Department with the creditor's age analysis and the top 20 outstanding creditors.
5. The Costing Section provides the Budget Department with the employee related reports and the overtime per department.
6. The Section 71 report is then compiled with all the information received from other sections and extracted from the Solar System.

**DISCUSSIONS**

**\*\*\* The finance report for January 2019 is attached on page 1 to page 18 of the Annexures.**

## FINANCIAL IMPLICATIONS

<b>TABLE 1</b>	<b>Actual For the Month (January 2019)</b>	<b>For Year to date (2018/2019)</b>
All Grants Received	-	428 383 000
<b>Actual Revenue Received</b>	<b>98 344 822</b>	<b>594 546 628</b>
<b>Actual Expenditure</b>	<b>105 010 424</b>	<b>826 631 123</b>
Salaries	61 012 080	410 775 520
Water	-	6 698 696
Electricity	2 619 868	163 849 335
Other Expenditure	41 378 476	245 307 572
<b>Sub-Total</b>	<b>-6 665 602</b>	<b>196 298 505</b>
Loan Redemptions	-	-
<b>Net Surplus/(Deficit) before Capital payments</b>	<b>-6 665 602</b>	<b>196 298 505</b>
MIG Payments	<b>9 622 001</b>	<b>62 911 588</b>
INEG Payments	-	-
WSIG Payments	<b>5 586 869</b>	<b>10 883 214</b>
<b>Capital Assets procured - Equitable Share</b>	<b>-</b>	<b>-</b>
Fleet & Equipment	-	-
Office convention/ Furniture	-	-
<b>Net Surplus/(Deficit) after Capital payments</b>	<b>-21 874 472</b>	

Table 1: The municipality had a deficit of R-21 874 472 for the month of January after capital payments, This deficit indicates that the expenditure incurred is more than the revenue received for month.

<b>TABLE 2</b>	<b>Actual For the Month (January 2019)</b>	<b>For Year to date (2018/2019)</b>
Total Billings	180 700 393	1 090 202 931
Less: Indigent Billings	3 112 214	15 207 884
Actual Billings	<b>177 588 179</b>	<b>1 074 995 047</b>
Actual Revenue Received	<b>97 001 052</b>	<b>585 597 466</b>
Consumer Revenue	83 366 585	524 639 914
Other	13 634 467	60 957 552
Grants & Subsidies	-	<b>428 383 000</b>

<b>Pay rate for January 2019 (Total Billings)</b>	<b>55%</b>
<b>Total income percentage - January 2019</b>	<b>55%</b>
<b>Total income percentage – YTD</b>	<b>55%</b>

The pay rate for January 2019 was 55%

### 3

The total income percentage January 2019 was 55%.

In order for the municipality to be financially sustainable the pay rate will have to be increased to 80% monthly on the consumer services.

#### **LEGAL IMPLICATIONS**

The Finance Report is submitted in compliance with Section 71 of the MFMA no 56 of 2003.

#### **RECOMMENDATIONS**

1. That the Finance Report for January 2019 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be noted.
2. That the Finance Report for January 2019 in terms of Section 71 of the Municipal Finance Management Act, number 56 of 2003, be submitted to Provincial and National Treasury.

**FS6 of 2019**

**PROGRESS REPORT ON THE SUNELEX (MLM) SOLAR PLANT PROJECT  
(CFO) (19/3/2/1)**

**PURPOSE**

To present progress report on the SUNELEX (MLM) SOLAR PLANT PROJECT to the Finance Section 80 Committee.

**BACKGROUND**

The project originated as an unsolicited bid for the establishment of a photovoltaic (PV) proposition for a 500 MW solar electric generating facility in Matjhabeng Local Municipality. The project has now been reduced to 450 MW and is registered as such with National Treasury. The project will be developed in two (2) phases:

- Phase 1: 200MW solar generated energy – located south of the town of Odendaalsrus (Kalkkuil 153 - 1157.48ha).
- Phase 2: 250MW energy – it is anticipated that 200MW will be solar generated energy and 50MW will be UCG generated energy – located west of Odendaalsrus (Paleisheuvel 323 – 26.73ha, Dolly 404 -286.58ha, Portion 2 of Kalkkuil 153 – 1157.48ha & Ophir 405 – 286.68ha).

The above mentioned sites are in possession of Municipality and have been selected on the basis of proximity to the ESKOM grid. However the suitability of the land is still subject to full due diligence analysis in order to determine the total area available for the project. This will include but not limited to the following: Mining rights, surface permits, servitudes and other areas that must be excluded from development.

The Development Stage of the project comprises of work such as the development of a feasibility study, Environmental Impact Study, conducting of other studies to determine the design of the plant, Sourcing of funds, completion of the MFMA section 33, 43 and 120 processes, etc. Whereas the Construction stage is the physical implementation of the project, which is divided into two phases; one being to build the 200MW at Kalkkuil farm 153 (1157 ha) and the second one being the building of a manufacturing plant for solar electricity components.

Over a period of time, the council took a number of resolutions which are stated in this report for the purposes of providing full background taking into consideration that the proposal for the project commenced in 2015

**In a Council sitting held on 31 March 2015, the following was resolved:**

- *That the progress on the development of the Sunelex project be noted.*

**In a Council sitting held on 01 September 2015, the following was resolved**

- *That the progress on the development of the Sunelex project be noted.*

- That Council declares the Sunelex project as an emergency Economic Priority Project.
- That ESKOM be consulted if power will go through the ESKOM grid to establish the method of implementation.
- That the CFO should establish the authenticity of the Proof of Funds letter by HSBC bank which is attached in page 355 of the Annexures.

**In a Council sitting held on 26 November 2015, the following was resolved:**

- That the progress with the development of the Sunelex project be noted.
- That the CFO should establish the authenticity of the Proof of Funds letter by HSBC bank which is attached in page 268 of the Annexures.

**In a Council sitting held on 29 June 2016, the following was resolved:**

- That Council takes note of the general progress with the development of the Sunelex project.
- That Council takes note of the Feasibility Study in relation to the project as was submitted by Sunelex.
- That the Municipal Manager be authorized to engage with regard to all outstanding legal agreements pertaining to the project subject to recommendations of the Transactional Advisor and the ratification by the National Treasury including:
  - a) Tripartite Agreement
  - b) Land Lease Agreement
  - c) Power Purchase Agreement
- That the Municipal Manager be authorized to negotiate the appropriate incentives with the developer in collaboration with National Treasury, the Department of Trade and Industry and the Department of Energy to optimize the benefit for the Municipality.
- That Councilors should submit their questions, remarks and inputs at the Offices of the Executive Mayor and the Municipal Manager via the following e-mail addresses: [tumelo.makofane@matjhabeng.co.za](mailto:tumelo.makofane@matjhabeng.co.za), [bulelwam@matjhabeng.co.za](mailto:bulelwam@matjhabeng.co.za), as well as to [matshidiso.seekoei@matjhabeng.co.za](mailto:matshidiso.seekoei@matjhabeng.co.za) by Tuesday, 05 July 2016 at 12h00.
- That all inputs submitted by Councilors be included in the recommendations when the item is re-submitted to Council.

**In a Council sitting held on 20 July 2016, the following was resolved:**

- That Council takes note of the SUNELEX progress report.
- That the Municipal Manager, in his engagement with Sunelex Agreement should take into cognisance of the following:
  - a) That the Municipality will only buy the electricity from Sunelex in accordance with its needs and that the excess energy produced will be the concern of Sunelex.

- b) *That the Municipality will only purchase electricity from Sunelex if it is at a cheaper rate than Eskom's rate at that specific period of the day and less than the off-peak tariff of Eskom. It was further emphasized that averages should not be used by SUNELEX.*
- c) *That no other Agreements should be signed until the Power Purchase Agreement has been agreed to by the Municipality and the Developer.*
- d) *That the Municipal Manager can conclude the Power Purchase Agreement and the Land Lease Agreement.*
- e) *"That clauses relating to Insurance, Guarantee and, Buyer's Responsibilities (as indicated in paragraph 8.2 of the draft Power Purchase Agreement) be revised and/or removed where necessary."*

*Council resolved that matter in 'e' has already been resolved.*

- f) *That the Maintenance of the Plant be done by Sunelex and not by the Municipality until the plant is handed over to the Municipality."*

*Council resolved that the matter in 'f' has already been resolved.*

**In a Council sitting held on 31 May 2017, the following was resolved:**

- *That Council **TAKES NOTES** of the progress on the Sunelex project.*
- *That all outstanding matters pertaining to the project **BE FAST TRACKED**.*
- *That a technical team headed by the Executive Director: Infrastructure be **ESTABLISHED** and submit quarterly reports to Council.*
- *That the exact contract as prescribed in Section 33 (1) (c) (ii) of the MFMA **MUST BE SERVED** before Council as soon as possible, for Council to pronounce itself on it before it authorises the Municipal Manager to sign it on behalf of the Municipality.*

In a Council sitting held on 1 November 2017, the following was resolved:

1. *That the item **BE REFERRED BACK**.*
2. *That Council **APPOINTS** a Multi-Party Ad-hoc Committee comprising of six members to look at all matters raised and ensure that the matter is dealt with according to the law.*
3. *That the Ad-hoc Committee **MUST GIVE** feedback at the next Ordinary Council meeting.*
4. *That the Committee **MUST TAKE** cognizance of all issues raised by Cllr A. Styger, as a guideline.*
5. *That the Committee **MUST ALSO DISCUSS** the contract which was already signed and implications thereof.*

## **THE SUNELEX AD- HOC PROJECT DEVELOPMENT PROCESSES**

Pursuant to the Council resolutions of 01 November 2017, a technical steering committee was convened on the 30 November 2017 and attended by three (3) members including the chairperson, and the representatives of Sunelex, in order to address all the issues that were raised by Council on 01 November 2017. The verbatim transcript of the views expressed by our esteem Councillor Styger was solicited from council admin and was part of the Agenda of the meeting.

The committee further held several meetings and the last meeting was on 23 August 2018 an advisor from National Treasury was in attendance. The meeting was structured in the format reflected below and encompasses an action plan which is aligned to the National Treasury regulations.

The project has been registered as a Public Private Partnership and will follow a PPP framework. As a result, it is advisable that the Municipality must appoint a transactional advisor in order to conduct the necessary due diligence, costs benefit analysis, determine any benefits to the Municipality and the community of Matjhabeng.

The action plan discussed below is intended to address any omissions/concerns that were raised by council during its previous sittings.

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
<b>1. PROJECT INCEPTION</b>	<p><b>1.1 Project Identification</b></p> <ul style="list-style-type: none"> <li>• Receipt of unsolicited Bid</li> <li>• PI should describe the nature and size of the activity; Municipal Budget; Projected Development costs; and initial lists of Risks.</li> </ul> <p><b>1.2 Notify Government: NT; PT and COGTA before commencing with feasibility study-</b></p> <ul style="list-style-type: none"> <li>• Notification should include Municipal Council Resolution which-</li> <li>• May authorize the Accounting Officer to conduct feasibility study, inclusive of determining the appropriateness of provision of municipal service by external mechanism inclusive of PPP.</li> <li>• Outline municipal expertise to comply with provisions of MFMA and MSA.</li> <li>• PPP unit to meet with the Municipality to discuss the precise function the municipality is seeking to assess.</li> </ul>	<p>i) Unsolicited proposal accepted</p> <p>ii) Project description was done</p> <p>iii) National Treasury, NERSA, ESKOM, DoE, Dept. of Trade &amp; Industry, Dept. of Tourism were informed.</p> <p>iv) Council resolution to conduct feasibility study was secured in 2014.</p> <p>v) No resolution that declares the project as PPP.</p> <p>vi) Municipal expertise confirmed</p> <p>vii) Meeting was held with PPP Unit at National Treasury.</p>	<p>Provincial Treasury, COGTA as regulators and DMR as general stakeholder to be informed.</p> <p>A simplified feasibility study with details on how the Municipality will benefit from the project, costs, amount of power needed, identified land, must be prepared for Council.</p> <p>After completion of the feasibility study, a PPP agreement that replaces all other agreements would be signed.</p>	<p>Project Manager by the 27/07/2018</p> <p>To the Committee on 27/07/2018</p> <p>To Council on 30/082018</p>



PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
	<ul style="list-style-type: none"> <li>Determine if it is important to appoint the Advisor.</li> <li>MLM's budget to meet Financing Project needs, Project Development costs, Project leader costs, PM and Advisor costs.</li> <li>Accounting Officer's willingness to assign delegations; Budget and Administrative support.</li> <li>Has the Accounting Officer obtained Council support for the Project?</li> </ul>	<p>viii) A Transactional Advisor was appointed.</p> <p>ix) Project costs were considered at the beginning and risk transferred accordingly.</p> <p>x) Accounting Officer to appoint the Project leader and the Steering Committee.</p> <p>xi) The Accounting Officer has obtained Council support for the Project.</p>	<p>i) The Accounting Officer should utilize expertise available to assist in finalization of the project.</p>	<p>Accounting Officer</p>
<p><b>2. FEASIBILITY STUDY</b></p>	<p><b>2.1 Three possible options for process guidelines that govern feasibility study-</b></p> <ul style="list-style-type: none"> <li>MSA, Sec. 78(1) &amp; (3): feasibility study for "Municipal service"</li> <li>MFMA Sec. 120: feasibility study for "Municipal Support Activity"</li> <li>MFMA Sec. 120 (6) (b) also for "Private Sector use of Municipal Property for its commercial purposes"</li> </ul>	<p>i) A feasibility study would be presented to Council after all attachments indicating that all stakeholders were consulted.</p> <p>ii) Land is an investment for the Municipality and Sunelex will have to pay a premium for the land utilized.</p> <p>iii) TVR 1 was secured.</p>		

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
	<p><b>2.2 The feasibility study should have the following stages:</b></p> <p>a) Needs analysis; b) Technical options; c) Service delivery Options; d) SD summary &amp; Interim recommendations; e) Project Due Diligence; f) Full value assessment; g) Simplified value assessment;h) Procurement Plan; i) Submit report to Council.</p> <p><b>2.3 Adhere to Public Participation requirements for a feasibility study for “MS”- as per MSA Sec.78 (1) &amp; (3) and MFMA Sec. 120 (6) (b)</b></p> <ul style="list-style-type: none"> <li>• Outline needs analysis and delivery mechanism summary</li> <li>• Submit feasibility report.</li> </ul> <p><b>1.4 In stage 4 of the feasibility study, it is important to engage Local Community and Labour notifications;</b></p> <p><b>1.5 Stages 5 puts emphasize on Site enablement issues; BEE and Socio-Economic Issues;</b></p> <p><b>1.6 Stage 6 on Value assessment</b></p>	<p>Feasibility study was prepared for public comments and views and recommendations.</p> <p>The views and recommendations of National Treasury and relevant Provincial Treasury were considered and that constitutes TVR1.</p> <p>No obligation to engage labour, they could be just updated.</p>	<p>It must be ensured that Value assessment covers the following:</p> <p>a) Is the Project affordable;</p> <p>b) Does it appropriately transfer risk from MLM to the Private Party;</p> <p>c) Does it provide value for money</p> <p>d) Demonstration that of MLM’s capacity and budget to handle the project.</p> <p>e) The Municipality should ascertain whether it was done</p>	AO & PM

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
<b>3. PROCUREMENT</b>	<b>3.1 MFMA Municipality PPP regulations and SCM regulation governing Municipality PPP procurement process:</b> <ul style="list-style-type: none"> <li>• Should secure TVR during procurement process.</li> <li>• Link between feasibility study and procurement doc. for PPP</li> <li>• Procurement of municipal PPP should include: <ul style="list-style-type: none"> <li>- Pre-qualification</li> <li>- Request for proposals</li> <li>- Best and final offer</li> <li>- Negotiations</li> <li>- Financial closure</li> </ul> </li> </ul>	<p>The relevant TVRs were obtained during procurement, as per PPP guidelines.</p> <p>Critical considerations for the procurement phase went with:</p> <ul style="list-style-type: none"> <li>- Explicit statement of affordability;</li> <li>- Value for money;</li> <li>- Appropriate risk transfer</li> </ul>	<p>i) The Municipality should ascertain whether it was received from Treasury.</p>	<p>i) AO &amp; Project Manager</p>

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
	<p><b>3.2 Stages of Procurement</b></p> <ul style="list-style-type: none"> <li>• In complex projects only pre-qualified bidders (RFQ) will receive and RFP i.e. Bid Bond; BEE; Parties eligible to participate.</li> <li>• Observe all steps of RPF in preparation of RFP documents (Technical, Legal and Financial aspects)</li> <li>- <b>Step 2: Request for TVR IIA</b> (The RFP and draft PPP must be submitted to municipal Accounting Officer to request TVRIIA.</li> <li>- <b>Step 3: Chose the preferred Bidder through Technical evaluation teams (technical; BEE and price)</b></li> <li>- Adjudication Committee headed by the Accounting Officer and supported by appointed Committee members.</li> </ul>	<p>i) To be skipped, as per guidelines related to unsolicited bid.</p>	<p>i) The Municipality should ascertain whether the public notice achieved what was intended.</p> <p>ii) Names of Bid Committees should be submitted for noting.</p>	<p>i) Project Manager</p>

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
	<ul style="list-style-type: none"> <li>• <b>At this stage (AC) – MLM should secure TVRIIB</b> (secure NT &amp; PT on Bid evaluation) – i.e. compilation of Value Assessment Report.</li> <li>• Present the Value Assessment report to Council for notification.</li> <li>• <b>Prior to executing a PPP agreement, the Accounting Officer should secure TVRIII:</b> (if the PPP is more than 3 years secure TVRIII and).</li> <li>• <b>Following Financial closure, Advisor must produce a Confidential Close-out report</b> (for MLM's Project Records).</li> </ul>	TVRIIB received for value assessment report.	As the PPP is more than three years, we need to check as to whether draft PPP agreement was published and community invited to make comments- Sec MFMA 33	AO & PM
<b>4. CONTRACT MANAGEMENT</b>	<b>4.1 The process enabling both Parties to meet obligations:</b> <ul style="list-style-type: none"> <li>• Secure Contract Management Plan (anticipating future needs).</li> <li>• Conform to PPP Agreement Management Framework.</li> </ul>	i) Plan to manage it to be taken after the approval of the feasibility study.	i) People involved in Project preparation must be involved in Project Management.	

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
	<p><b>4.2 Critical Phases for PPP Framework:</b></p> <ul style="list-style-type: none"> <li>• Year 1-2: Inception &amp; feasibility study</li> <li>• Y2-3: Procurement</li> <li>• Y3-5: Development</li> <li>• Y5-20: Delivery</li> <li>• Y18-20: Exit</li> </ul> <p><b>4.3 Focus on Outcome:</b></p> <ul style="list-style-type: none"> <li>• Quality assurance</li> <li>• Performance</li> <li>• Monitoring</li> <li>• Corrective Action</li> </ul> <p><b>4.4 Recommend a new Contract Monitoring Structure:</b></p> <ul style="list-style-type: none"> <li>• Responsibility of the Accounting Officer.</li> <li>• Delegated authority to Contract Manager.</li> <li>• Establish Contract Management team</li> <li>• Contract Management team to also focus on Corporate Governance.</li> <li>• Establish resolution processes in PPP contract and all dispute resolution processes.</li> <li>• Contract Management team to ensure proper Risk Management.</li> </ul>	<ul style="list-style-type: none"> <li>• Feasibility Study has been conducted, and only needs inputs of MLM. We therefore over 1-2 years' phase of inception.</li> <li>• Unsolicited bid proposal was accepted. Therefore there is some progress on Y3 phase stage.</li> <li>• Multi-Party committee is establish to enhance quality and monitoring of the project</li> </ul>	<ul style="list-style-type: none"> <li>➤ AO to establish a contract monitoring structure.</li> <li>➤ AO to delegate authority to Contract Manager.</li> <li>• Contract Management Team to draw a schedule of meetings to ensure Corporate Governance and Risk</li> <li>• <b>Establish Contract Management Plan:</b> <ul style="list-style-type: none"> <li>- Five year review of the PPP Project.</li> <li>- Establish a system of handling changes.</li> <li>- Exit strategy to be established</li> </ul> </li> </ul>	AO & Project Manager

PPP STAGES	IDEAL STEPS	ACTUAL STEPS: MLM & SUNELEX	CORRECTIVE STEPS	RESPONSIBLE PERSON
<b>5. UNSOLICITED BID</b>	<ul style="list-style-type: none"> <li>- Many of unsolicited bids constitute PPP: because they envisage private sector use of municipal property for commercial purposes.</li> <li>- The project should be registered with the PPP unit within NT.</li> <li>- At the end of Feasibility Study an application for TVR I should be submitted to NT</li> <li>- A draft PPP agreement and obtain TVR IIA.</li> <li>- Preparation of value assessment report and obtaining TVRIIB.</li> <li>- At conclusion of negotiations, the municipality must obtain TVR III, as per section 33 of MFMA for the council resolution</li> </ul>	<p>Unsolicited proposal is accepted, because:</p> <ul style="list-style-type: none"> <li>- it is considered as the unique innovative concept.</li> <li>- The product should be exceptionally beneficial to MLM.</li> <li>- The person who made the bid was the sole provider at the time.</li> </ul> <p>The project was registered with PPP unit within NT. The application was done and TVR I was secured, as per section 120(6) of MFMA. TVR IIA was obtained for a draft PPP agreement. TVR IIB was obtained that relates to value assessment report.</p>	Ensure that the current accepted unsolicited bid is implemented as per PPP Guidelines	AO & PM
<b>6. PROJECT FINANCE</b>	<p>Perspectives on reasons for usage of PF:</p> <ul style="list-style-type: none"> <li>➤ Contractual agreements: PPP agreement; Finance Direct Agreements; Finance Documents; Security Documents: Performance guarantees</li> </ul>	<ul style="list-style-type: none"> <li>▪ PPP agreement is in place.</li> <li>▪ Finance Documents assessed</li> </ul>	Double check Operations and Maintenance sub-contracts	

<p><b>7. USE OF MUNICIPAL LAND FOR COMMERCIAL PURPOSES</b></p>	<p>The end goal of this move should be to target a more efficient management of a municipality's immovable property portfolio:</p> <p>a) Identify potential PPP Immovable Property:</p> <ul style="list-style-type: none"> <li>. Town planning requirements; Zoning and Sub-division issues</li> <li>. Consider Environment legislation and land claims</li> <li>- Ensure that potential use is consistent with IDP</li> <li>- Check potential revenues to the municipality by such uses.</li> <li>- Check potential costs to the municipality in order to manage the project</li> <li>- Socio-economic impact of the proposed project.</li> <li>- Implement as per Section 120(4) of MFMA</li> <li>- Copy MSP of CoGTA</li> </ul> <p>b) Feasibility study report on use on municipal land to be submitted to Council and augmented by Section 6 reflecting public comments; views and recommendations received (as per Sec 21A of MSA). This is for Council's "In Principle" decision</p>	<p>"In Principle" decision was secured from the Council.</p> <p>Feasibility Study Report submitted to Council</p>	<p>PPP agreement to be adapted in the context of managing a PPP Agreement for private sector use of municipal property.</p> <p>Continue to manage specific terms and conditions of the PPP Agreement</p> <p>Set out the process for management of PPP Agreement</p>	<p><b>AO &amp; PM</b></p>
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<b>8. ROLE AND RESPONSIBILITIES OF TRANSACTION ADVISOR</b>	<p>8.1 PPP regulation also require MLM to appoint PO when it initiates PPP.</p> <p>8.2 The Advisor details Financial; Technical; BEE and Legal work, as per MSA Sec 78 (1), for internal mechanism assessment.</p> <p>8.3 Conducts the MSA Sec 78 (3) feasibility study to the standard that meets MFMA Sec 120 (4) and Municipal PPP regulation.</p> <p>8.4 Prepares Council documentation to obtain “in principle” decision where PP is recommended.</p>	<p>Transaction Advisor appointed in terms of regulation (2) (1) (b)</p>	<p>TA to ensure that detailed Technical; Financial; BEE and Legal advice is continuously received to secure project sustainability</p>	<p>AO &amp; PM or Project Officer</p>
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## **THE SUNELEX (MLM) AD-HOC COMMITTEE RESOLVED: (16 JULY 2018)**

1. That in terms of Council resolution SA33/2016, the Municipality **WILL ONLY BUY** the electricity from Sunelex in accordance with its needs and that the excess energy produced will be the concern of Sunelex.
2. Sunelex would submit the costs of the entire development and proof of funding, at their own costs.
3. That the Steering Committee must **MEET REGULARLY** to ensure that technical work is done and deals with all outstanding matters to enable the project to commence.
4. That the Municipal Manager must ensure that a simplified detailed feasibility study **IS PREPARED** for submission to Council at the end of August 2018.
5. That the Municipal Manager and his team **MUST SUBMIT** a progress report which includes the views of National Treasury to the Ad-hoc Committee during the meeting scheduled for the 27<sup>th</sup> July 2018.
6. That all files containing the project information, from all teams, must be **MADE AVAILABLE** to the Project Manager and his team.

## **FINANCIAL IMPLICATIONS**

The capital cost for the construction of the solar project, including the manufacturing plant will be borne by Sunelex. The transactional advisor will provide the necessary advice on any costs of the development of the project, conduct a cost benefit analysis and the necessary due diligence upon which the Municipality can make and inform decision.

## **LEGAL IMPLICATIONS**

The project is registered as a Public-Private Partnership (PPP) and the PPP framework will be applicable for this project.

## **POLICY/LEGISLATIVE POSITION**

- The Constitution of the Republic of South Africa (Act. No. 108 of 1996);
- Land Act (Act No. 68 of 1981);
- Broad Based Black Economic Empowerment Act (Act No. 53 of 2003);
- Local Government: Municipal Finance Management Act (Act No. 56 of 2003);
- Spatial Planning and Land Use Management Act 16/2013;
- National of Regulator of South Africa (NERSA) Requirements:
- Eskom Regulations;
- Occupation Health and Safety Act 85/1993;
- Electrical Distribution Regulations;
- Department of Energy (DOE) requirements and policies;
- SANS and NRS standards

## **RECOMMENDATIONS**

It is recommended:

1. That Council takes note of the report.
2. That Council takes note that this project is registered as Public-Private Partnership.
3. That the Public-private partnership framework will be applicable in the implementation of this project.
4. That the Municipal Manager should appoint a transactional advisor to conduct the necessary due diligence of this project and advice council of its viability.

**FS7 of 2019**

**PROGRESS REPORT ON MATTERS RAISED DURING THE DECEMBER COUNCIL MEETING (CFO) (19/3/9)**

**PURPOSE**

Reporting progress to all matters raised by Honorable Councilors during the council seated on the 4<sup>th</sup> December 2018 with regards to challenges in the Finance Department.

**BACKGROUND**

Accurate billing for services is a critical element of the municipal revenue management business model. Due to the benefits of accurate billing resulting from data cleansing, municipalities are required by law to institute the process below.

The Municipal Systems Act (Act No.32 of 2000) requires municipalities to:

S (95) Customer Care and management

In relation to the levying of rates and other taxes by a municipality and the charging of fees for municipal services, a municipality must, within its financial and administrative capacity -  
(e) Ensure that people liable for payments receive regular and accurate accounts that indicate the basis for calculating the amounts due.

S (96) Debt collection responsibility of municipalities

A municipality –

(a) Collect all money that is due and payable to it, subject to this Act, and any other applicable legislation (Section 96 (a)).

**DISCUSSION**

During the council seated on the 4<sup>th</sup> of December 2018, Honorable Councilors raised concerns with regards to overall performance of the Finance Department amongst other deficiencies within the department they made emphases particularly of the following matters of concern:

- 1. Problematic billing system resulting in inaccurate accounts.**
- 2. Municipal accounts not been issued resulting to poor payment rate.**

Department of Finance prepared this item to explain and give out factual factors that affected operations and ultimately resorted in control deficiencies as stated by the Honorable Councilors.

**Factors affected operations:**

- (a) Jager technologies contract expired two years ago and from then it has been extended on month to month basis, apart from that the municipality owed the company significantly therefore this company ended up abandoning its mandate.
- (b) Further on CAB holdings also has been operating without a contact, apart from the contact the municipality owed the company and defaulted on payment agreements resulting in the company abandoning its mandate.
- (c) SAMWU strike also had a negative impact on the Billing: Prior securing service of MM Management and Consulting the department relied on individual customers bringing their readings of which during the strike no readings of such nature were captured resulting in interim billing.
- (d) E-mails also affected the performance: Ever since last year in December our e-mails have not been able to receive external correspondences, this affected customers sending their readings electronically resulting in interim billing.

**Solution to matters raised:**

- (a) **Meter readings service and Postage of municipal accounts:** Both projects are due for discussions in the Bid Specification Committee on the 16<sup>th</sup> of January 2019 with possible advert subsequent to that Committee session.
- (b) Currently the Department has deviated from normal SCM process in acquiring meter reading services. The department has been utilizing services of MM Management and Consulting ever since last year November. Financial implications to date from acquiring services of MM Management and Consulting amounts to R1 041 246.00 for the past two months.
- (c) Further on the municipality has a Data Purification contract with Fezi Consultants, this project has a mandate to resolve all the historical data issues and the current findings from the Office of the Auditor General.

**LEGAL IMPLICATIONS**

The Municipal Systems Act (Act No.32 of 2000)

**FINANCIAL IMPLICATIONS**

<b>Amount owed to the companies</b>	
<b>Name</b>	<b>Balance</b>
<b>1</b> Jager Technologies	R 3 392 004.32
<b>2</b> Cab Holdings	R 792 079.07
<b>3</b> Microsoft	R 1 500 000.00

**RECOMMENDATION**

1. That the Section 80 Finance Committee takes note of proposed solutions by Finance Department.

**FS8 of 2019**

**REPORT ON BILLING AND COLLECTION (CFO) (19/3/9)**

**PURPOSE**

Reporting on collections to the Revenue Enhancement Committee.

**BACKGROUND**

Collection of consumer charges is the lifeblood and determines the going concern status of a municipality. A healthy cash flow is crucial to ensure sustainable service delivery and infrastructure development and preservation. It is therefore also appropriately prescribed in terms of Section 64 (Revenue Management) of the Municipal Finance Management Act. The objective of any successful revenue enhancement is to improve the current payment levels and then to recover arrear debt.

## DISCUSSIONS

	Jan-19			Feb-19			
Debtor Type Description	Billing	Receipts	Balance C/F	Billing	Receipts	Balance C/F	Increases per category
SECTION 21 SCHOOL ACCOUNTS	-223 847,61	-837 792,67	14 042 368,01	1 266 000,93	-717 033,03	14 080 670,52	120 759,64
SCHOOLS - SERVICES PAID BY PROVINCIAL GOV	377 786,37	-	5 191 211,06	377 786,37	-77 690,55	5 491 306,88	-77 690,55
ADMINISTRATION	195,49	-414,49	38 875,36	190,44	-614,01	38 451,79	-199,52
AGRI FARMS	1 103 243,37	-238 968,83	34 504 758,83	1 189 338,92	-225 460,25	35 469 420,07	13 508,58
AGRICULTURE	2 665 433,18	-2 045 287,80	27 721 847,43	2 743 117,18	-2 041 134,08	28 424 967,97	4 153,72
BUSINESS	40 723 984,08	-31 047 329,95	354 168 223,63	35 214 825,36	-33 948 769,61	354 627 077,23	-2 901 439,66
CHURCHES	1 104 228,85	-493 464,27	19 200 174,21	916 721,45	-632 417,98	19 486 048,04	-138 953,71
CLINIC	778 181,36	-636 173,55	2 133 791,84	630 735,88	-768 083,86	1 996 443,86	-131 910,31
SALARIES COUNCILLORS	175 480,80	-31 447,86	225 542,86	23 017,68	-43 324,91	205 235,63	-11 877,05
DEBT COUNCILLING	9 669,21	-7 880,83	1 586 075,78	9 652,01	-9 599,88	1 580 981,16	-1 719,05
DEPARTMENTAL - MATJHABENG MUNICIPALITY	2 628 314,64	-4 208,84	-68 346,33	1 958 770,71	-3 500,00	-45 496,06	708,84
GOVERNMENT PROVINCIAL - RESIDENTIAL	55 400,09	-1 606,30	2 926 868,77	41 032,22	-131 199,78	2 836 701,21	-129 593,48
GOVERNMENT CORRECTIONAL SERVICES	140 621,61	-42 534,94	9 053 538,59	124 380,57	-1 509 116,54	7 668 802,62	-1 466 581,60
GOVERNMENT DPLG	2 271 661,27	-2 282 809,02	2 286 457,19	2 385 458,49	-2 273 516,52	2 398 399,16	9 292,50
GOVERNMENT EDUCATION	8 135,82	-11 036,81	6 407,77	8 135,82	-11 034,65	3 508,94	2,16
GOVERNMENT SAPS	59 961,47	-188 074,32	250 592,51	59 805,30	-436 229,91	-125 832,10	-248 155,59
GOVERNMENT HOUSES	1 250 658,98	-1 126 873,84	1 853 021,39	1 184 409,84	-1 242 762,78	1 794 668,45	-115 888,94
GOVERNMENT HEALTH	3 055,60	-	258 278,20	3 055,60	-	261 333,80	-
GOVERNMENT HOME AFFAIRS	821 487,65	-2 518 412,23	22 065 166,66	1 116 517,60	-738 796,95	22 442 887,31	1 779 615,28
GOVERNMENT LABOUR	84 363,09	-2 766,29	-1 619 037,06	54 033,42	-68 251,94	-1 633 255,58	-65 485,65
GOVERNMENT SCHOOLS	25 910,21	-26 231,42	37 134,46	24 329,60	-25 910,21	35 553,85	321,21



NOT REGISTERED							
GOVERNMENT PUBLIC WORKS	1 614 391,45	-6 600 166,48	-130 172,13	1 614 391,45	-7 617 023,66	-6 132 804,34	-1 016 857,18
GOVERNMENT JUSTICE	9 591,50	-	127 011,94	4 506,48	-99,39	131 419,03	-99,39
GOVERNMENT ASSESSMENT RATES	402 406,39	-114 481,22	473 400,39	88 673,13	-159 523,70	402 549,82	-45 042,48
GOVERNMENT SERVICES/SUNDRY ACCOUNTS	38 582,73	-90 438,37	6 388 109,13	23 215,35	-6 046 066,62	365 257,86	-5 955 628,25
GOVERNMENT PROVINCIAL - RATES	54 850,15	-6 690,89	1 369 508,28	26 456,77	-40 237,79	1 355 727,26	-33 546,90
GOVERNMENT TRANSPORT	2 496 639,83	-8 497 473,86	5 401 525,05	2 497 189,52	-15 290 838,25	-7 392 123,68	-6 793 364,39
GOVERNMENT WATER AFFAIRS & FORESTRY	8 329,99	-	115 790,47	6 181,54	-	121 972,01	-
GOVERNMENT WORKS	617,27	-	44 510,88	617,27	-	45 128,15	-
GOVERNMENT FINANCE	307 051,25	-	5 467 915,25	334 484,66	-6 235,58	5 796 164,33	-6 235,58
GOVERNMENT PROVINCIAL JUSTICE	127 007,15	-367,57	2 421 431,91	207 047,63	-99 727,49	2 528 752,05	-99 359,92
GOVERNMENT DEFENCE	-160 507,50	-134 461,95	-36 487,52	162 306,62	-67 377,81	58 441,29	67 084,14
HOUSING DEBTORS	13 818,51	-12 362,19	39 738,64	13 818,51	-13 175,08	40 382,07	-812,89
HOUSING RENTALS	238,14	-	25 924,79	238,14	-	26 162,93	-
INDUSTRIAL	2 969 755,29	-126 285,51	210 370 007,41	2 942 659,25	-193 207,25	213 122 828,95	-66 921,74
MINING	3 937 646,59	-3 880 678,40	36 774 427,93	3 785 461,92	-3 839 462,23	36 342 838,87	41 216,17
MUNICIPAL OWNER	3 642 230,49	-2 246 009,22	53 042 210,79	3 626 880,00	-2 240 793,69	54 428 297,10	5 215,53
NEW INDIGENCE	816 535,43	-8 067,29	7 876 615,33	832 353,82	-1 995,35	8 706 973,80	6 071,94
OTHER	11 360 481,59	-429 159,89	117 551 347,73	14 831 467,30	-446 445,29	132 941 427,24	-17 285,40
PARKS	19 899,56	-10 204,20	996 369,95	18 909,85	-8 617,50	996 533,18	1 586,70
RESIDENTIAL	93 905 670,93	-31 639 888,63	2 161 670 215,77	89 028 068,24	-34 162 775,22	2 209 263 340,46	-2 522 886,59
SALARIES PERSONELL	1 510 232,53	-685 242,68	14 359 244,23	898 312,96	-713 887,42	14 424 104,42	-28 644,74
SCHOOLS	802 244,72	-436 639,38	5 482 070,42	464 008,31	-323 158,61	5 638 920,12	113 480,77
SUNDRY DEBTORS	58 486,77	-18 774,85	2 428 945,26	58 670,99	-18 417,29	2 478 924,47	357,56
SUNDRY LOANS	1 588,85	-150,00	100 150,91	1 597,91	-1 700,00	100 048,82	-1 550,00

SUNDRY RENTALS	70 773,92	-8 676,41	3 939 878,39	71 086,06	-14 451,99	3 996 512,46	-5 775,58
SUNDRIES	61 620,71	-331 980,15	2 171 158,21	83 608,45	-427 954,78	1 992 317,55	-95 974,63
VACANT STAND	694 286,19	-177 386,34	34 741 792,63	616 576,80	-144 493,23	35 195 527,02	32 893,11
	<b>178 828 395,96</b>	<b>-96 998 899,74</b>	<b>3 169 075 593,20</b>	<b>171 570 104,32</b>	<b>-116 782 112,66</b>	<b>3 214 013 497,99</b>	<b>-19 783 212,92</b>
	<b>-54%</b>			<b>-68%</b>			

Indigents registration: **14 820**

**LEGAL IMPLICATIONS**

Section 64 Municipal Finance Management Act No. 56 of 2003

**FINANCIAL IMPLICATIONS**

Collections
116 782 112.66

**SUBMITTED FOR INFORMATION**