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## GOVERNMENT NOTICE

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### NATIONAL TREASURY

No. 305

5 April 2007

#### **LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003: EXEMPTION FROM CERTAIN SPECIFIC PROVISIONS OF THE ACT TO FACILITATE ELECTRICITY INDUSTRY RESTRUCTURING**

I, Trevor A Manuel, Minister of Finance, acting in terms of section 177 (3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), with the concurrence of the Minister for Provincial and Local Government, hereby exempt all municipalities and municipal entities from or in respect of the provisions of sections 14 and 90 of the Local Government: Municipal Finance Management Act, subject to the following conditions:

- (a) The exemption relates to the transfer of ownership or otherwise disposal of capital assets to regional electricity distributors or public entities.
- (b) This relates to capital assets (moveable and immovable) owned by municipalities or municipal entities on the date of this Notice, for the provision of electricity reticulation and other electricity services.
- (c) Municipalities and municipal entities must prior to entering into a service delivery agreement or any other agreement with regional electricity distributors or public entities undertake a detailed due diligence and ring-fencing of their electricity reticulation and other electricity services, identify all capital assets to be transferred to regional electricity distributors or public entities and record these assets in an asset register.
- (d) Any asset to be transferred must be subject to a method of valuation that is transparent and auditable and included in the agreement referred to in paragraph (c).
- (e) Any loan or other liability associated with an asset to be transferred must be transferred with that asset.
- (f) The asset register referred to in paragraph (c) must –
  - (i) list, describe and reflect the value of each asset grouped according to category as agreed between the municipality or parent municipality and regional electricity distributors or public entities;
  - (ii) provide details of sources of funding of assets and encumbrances on assets to be transferred or disposed of;
  - (iii) be approved by a council resolution; and
  - (iv) be included in the agreement referred to in paragraph (c), to be entered into by the municipality and regional electricity distributors or public entities for the provision of electricity