

MATATIELE LOCAL MUNICIPALITY



MATATIELE

LOCAL MUNICIPALITY

DEBT CAPACITY POLICY

POLICY INFORMATION

<u>DATE OF COUNCIL ADOPTION:</u>	22/05/2024
<u>COUNCIL RESOLUTION NUMBER:</u>	CR 652/22/05/2024
<u>POLICY NUMBER:</u>	MLM/BTO/P10

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 029 522 9770 Prepaid Sales: 029 522 922 Finance Office: 029 737 3265 Disaster and Fire: 033 2400630/079 523 2223

Police(SAPS): 029 7379904/9905 Water: 062 520 1476 Ambulance: 10111 Traffic: 029 522 9778



MR. L. MATIWANE
MUNICIPAL MANAGER

22/05/2024

DATE



CLLR. S. MNGENELA
MAYOR

22/05/2024

DATE



CLLR. N. NGWANYA
SPEAKER COUNCIL

22/05/2024

DATE

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 079 522 9770 Prepaid Sales: 079 523 322 Finance Office: 039 737 3565 Disaster and Fire: 039 2560010 079 523 2223
Police(SAPS): 039-7379004 Water: 012 520 1470 Ambulance: 10177 Traffic: 079 522 9774



Authority	Date
HOD Approval	
MM Approval	
Council Approval	
Date of next Review	

Approval of Policy

Please note that the implementation of the policy contained in this document is subject to approval and signing off by all relevant Heads and/or Committees, including but not limited to:

- Municipal Manager; and
- Municipal Council.

Policy on Debt Capacity effective 01 July 2024

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 029 522 9720, Prepaid Sales: 029 523 9722, Finance Office: 029 522 5605, Disaster and Fire: 029 25 00610/029 523 7723

Police(SAPS): 029 7379904/9905, Water: 042 520 1416, Ambulance: 10111, Traffic: 029 522 9738



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Policy on Debt Capacity effective 01 July 2024

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 079 522 9770; Prepaid Sales: 079 523 9771; Finance Office: 037 257 1425; Disaster and Fire: 019 2360010/079 523 2224
Police(SAPS): 019 2379904/9905; Water: 042 530 1476; Ambulance: 90117; Traffic: 079 522 9774

1. OBJECTIVE

The objective of the policy is to define the circumstances under which the municipality can incur debt.

2. PRINCIPLES

The guidelines regarding debt is outline in Sections 45 to 49 of the Municipal Finance Management Act and provides for the following:

- 2.1 Short-term Debt can be incurred for operating or capital requirements, if it can be realistically repaid within a financial year; and
- 2.2 Long-term Debt can be incurred for the acquisition of property, plant and equipment, repayable over the estimated life of the assets financed.

3. LONG-TERM DEBT

- 3.1 The management team is responsible for the identification of the need to incur debt, in accordance with an approved budget.
- 3.2 The manager of the division requiring debt finance is responsible for the initiating of a request for debt finance for capital expenditure to the Municipal manager, which request should detail, at least, the anticipated cost of the property, plant and equipment to be financed, its estimated life, and the cash (if any) that will be generated by the item over its estimated life, with a motivation to support the financing thereof by means of Debt.
- 3.3 The Municipal Manager must consider the request, and only approve such, if he/she is convinced that the municipality can not do without the expense, and there is no alternative means of financing the purchase.

Policy on Debt Capacity effective 01 July 2024

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 079 522 9774, Prepaid Sales: 079 523 322, Finance Office: 039 737 3565, Disaster and Fire: 039-2560610/079 523 2223
Police(SAPS): 039 7379904/9595, Water: 082 520 1474, Ambulance: 10127, Traffic: 079 522 9774



- 3.4 The Municipal Manager will ascertain, with the assistance of the Chief Financial Officer if the municipality will be able to afford the capital charges emanating from the debt, with due cognisance of the impact thereof on municipal tariffs and property rates.
- 3.5 The Municipal Manager will obtain at least three alternative quotations from financing institutions and prepare a recommendation regarding the most advantageous arrangement to the municipality, after approval of the debt to be incurred.
- 3.6 The Municipal Manager will then prepare the required information statement, as envisaged in Section 46(3) of the Municipal Finance Management Act, and seek approval from Council regarding the Debt.
4. SHORT-TERM DEBT
- 4.1. Short-term debt will only be incurred when necessary to bridge financing, as required for Long-term debt, and only after approval has been obtained for such Long-term Debt in accordance with Section 46 of the Municipal Finance Management Act.
- 4.2. Short-term debt will under no circumstances be considered to finance operational costs.

Policy on Debt Capacity effective 01 July 2024

Where Nature, Agriculture, Tourism are Investments of Choice.

Electrical Services: 079 322 9770 Prepaid Sales: 079 321 422 Finance Office: 099 737 3565 Disaster and Fire: 031 2560710/079 523 2223
Police(SAPS): 029-7379904/9900 Water: 012 520 1476 Ambulance: 01173 Traffic: 079 322 9774