



CASH MANAGEMENT AND INVESTMENT POLICY

2025-2026

Council Resolution no: S004/05/2025

Approval Date: 29/05/2025

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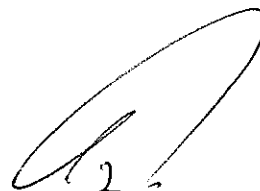
1. LEGAL COMPLIANCE

The municipality shall at all times manage its banking arrangements and investments and conduct its cash management policy in compliance with provisions of and any further prescriptions made by the minister of finance in terms of the Municipal finance Management Act no. 56 of 2003, which includes the Municipal Investment Regulations (Regulations number 308 of the MFMA published under gazette number 27431 of April 20050

2. OBJECTIVE OF INVESTMENT POLICY

The council of the municipality is the trustee of the public revenues, which it collects, and it therefore has an obligation to the community to ensure that the municipality's cash resources are managed effectively and efficiently. The council therefore has a responsibility to invest these public revenues knowledgeably and judiciously, and must be able to account fully to the community in regard to such investments.

The investment policy of the municipality is therefore aimed at



- Gaining the optimal return on investments, without incurring undue risks, during those periods when cash revenues are not needed for capital or operational purposes.
- Giving effect to the provisions of section 13 of the MFMA and regulation 308 of the MFMA.

The effectiveness of the investment policy is dependent on the accuracy of the municipality's cash management programme, which must identify the amounts surplus to the municipality's needs, as well as the time when and period for which such revenues are surplus.

3. EFFECTIVE CASH MANAGEMENT

3.1 Cash Collection

All monies due to the municipality must be collected as soon as possible, either on or immediately after due date, and banked on a daily basis. The respective responsibilities of the chief financial officer and other heads of departments in this regard is defined in a code of financial practice approved by the municipal manager and chief financial officer, and this code of practice is attached as Annexure II to the policy. The unremitting support of and commitment to the municipality's credit control policy, both by the council and the municipality's officials, is an integral part of proper cash collections, and by approving the present policy the council pledges itself to such support and commitment.

3.2 Payments to Creditors

The chief financial officer shall ensure that all tenders and quotations invited by and the contracts entered into by the municipality stipulate payment terms favourable to the municipality, that is, payment to fall due not sooner than the conclusion of the month following the month in which a particular service is rendered to or goods are received by the municipality. This rule shall be departed from only where there are financial incentives for the municipality to effect earlier payment, and any such departure shall be approved by the chief financial officer before any payment is made.

Notwithstanding the foregoing policy directives, the chief financial officer shall make full use of any extended terms of payment offered by suppliers and not settle any accounts earlier than such extended due date, except if the chief financial officer determines that there are financial incentives for the municipality to do so. The chief financial officer shall not ordinarily process payments, for accounts received, more than once in each calendar month, such processing to take place on or about the end of the month concerned. Wherever possible, payments shall be effected by means of cheques. Special payments to creditors shall only be made with the express approval of the chief financial officer, who shall be satisfied that there are compelling reasons for making such payments prior to the normal month processing.

3.3 Management of Inventory

Each head of department shall ensure that such department's inventory levels do not exceed normal operational requirements in the case of items which are not readily available from suppliers, and emergency requirements in the case of items which are readily available from the suppliers.

Each head of department shall periodically review the levels of inventory held, and shall ensure that any surplus items be made available to the chief financial officer for sale at a public auction or by other means of disposal, as provided for in the municipality's supply chain management policy.

3.4 Cash Management Programme



The chief financial officer shall prepare an annual estimate of the municipality's cash flows divided into calendar months, and shall update this estimate on a weekly basis. The estimate shall indicate

- When and for what periods and amounts surplus revenues may be invested,
- When and for what amounts investments will have to be liquidated, and
- When - if applicable – either long-term or short-term debt must be incurred.

Heads of departments shall in this regard furnish the chief financial officer with such information as is required, timeously and in the format indicated.

The chief financial officer shall report to the executive committee, as the case may be, on a monthly basis and to every ordinary council meeting the cash flow estimate or revised estimate for such month or reporting period respectively, together with the actual cash flows for the month or period concerned, and cumulatively to date, as well as the estimates or revised estimates for the cash flows for the remaining months of the financial year, aggregated into quarters where appropriate. The cash flow estimates shall be divided into calendar months, and in reporting the chief financial officer shall provide comments or explanations in regard to any significant cash flow deviation in any calendar month forming part of such reports. Such report shall also indicate any movements in respect of the municipality's investments, together with appropriate details of the investments concerned.

4. INVESTMENT ETHICS

The chief financial officer shall be responsible for investing the surplus revenues of the municipality, and shall manage such investments in consultation with the Municipal Manager and in compliance with any policy directives formulated by the council and prescriptions made by the Minister of Finance.

In making such investments the chief financial officer, shall at all times have only the best considerations of the municipality in mind. Neither the chief financial officer, the municipal manager nor any other officials involved in the investment process may accept any gift, other than an item having such negligible value that it cannot possibly be construed as anything other than a token of goodwill by the donor, from any investment agent or institution or any party with which the municipality has made or may potentially make an investment.

5. INVESTMENT PRINCIPLES

5.1 Limiting Exposure

When large sums of money are available for investment the chief financial officer shall ensure that they are invested with more than one institution, wherever practicable, in order to limit risk exposure of the municipality. The chief financial officer shall further ensure that, as far as it is practically and legally possible, the municipality's investments are so distributed that more than one investment category is covered (that is, call, money market and fixed deposits).

5.2 Risk and Return

Although the objective of the chief financial officer in making investments on behalf of the municipality shall always be to obtain the best interest rate on offer, this consideration must be tempered by the degree of risk involved in regard to both the financial institution and the investment



instrument concerned. No investment shall be made with an institution where the degree of risk is perceived to be higher than the average risk associated with investment institutions. Deposits shall be made only with registered deposit-taking institutions (see 5.4 below).

5.3 Payment of Commission

Every financial institution with which the municipality makes an investment must issue a certificate to the chief financial officer in regard to such investment, stating that such financial institution has not paid or will not pay any commission and has not and will not grant any other benefit to any party for obtaining such investment.

5.4 Call Deposits and Fixed Deposits

Before making any call or fixed deposits, the chief financial officer, shall obtain quotations from at least three financial institutions. Given the volatility of the money market, the chief financial officer, shall, whenever necessary, request quotations telephonically, and shall record in an appropriate register the name of the institution, the name of the person contacted, and the relevant terms and rates offered by such institution, as well as any other information that may be relevant (for example, whether the interest is payable monthly or on maturity, and so forth). Once the best investment terms have been identified, written confirmation of the telephonic quotation must be immediately obtained (by facsimile, e-mail or any other expedient means).

Any monies paid over to the investing institution in terms of the agreed investment (other than monies paid over in terms of part 7 below) shall be paid over only to such institution itself and not to any agent or third party. Once the investment has been made, the chief financial officer shall ensure that the municipality receives a properly documented receipt or certificate for such investment, issued by the institution concerned in the name of the municipality.

5.5 Restriction on Tenure of Investments

No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Council.

6. CONTROL OVER INVESTMENTS

The chief financial officer shall ensure that proper records are kept of all investments made by the municipality. Such records shall indicate the date on which the investment is made, the institution with which the monies are invested, the amount of the investment, the interest rate applicable, and maturity date. If the investment is liquidated at a date other than the maturity date, such date shall be indicated. The chief financial officer shall ensure that all interest and capital properly due to the municipality are timeously received, and shall take appropriate steps or cause such appropriate steps to be taken if interest or capital is not fully or timeously received. The chief financial officer shall ensure that all investment documents and certificates are properly secured in a fireproof safe with segregated control over the access to that such safe, or are otherwise lodged for safe keeping with the municipality's bankers or attorneys.

7. OTHER EXTERNAL INVESTMENTS

From time to time it may be in the best interests of the municipality to make longer-term investments in secure stock issued by the national government, Eskom or any other reputable parastatal or institution, or by another reputable municipality. In such cases the chief financial officer, must be guided by the best rates of interest pertaining to the specific type of investment, which the

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municipality requires, and to the best and most secure instrument available at the time. No investment with a tenure exceeding twelve months shall be made without the prior approval of the Municipal Council, and without guidance having been sought from the municipality's bankers or other credible investments advisors on the security and financial implications of the investment concerned.

8. BANKING ARRANGEMENTS

The municipal manager is responsible for the management of the municipality's bank accounts, but may delegate this function to the chief financial officer. The municipal manager and chief financial officer are authorised at all times to sign cheques and any other documentation associated with the management of such accounts. The municipal manager, in consultation with the chief financial officer, is authorised to appoint two or more additional signatories in respect of such accounts, and to amend such appointments from time to time. The list of current signatories shall be reported to the executive committee on a monthly basis, as part of the report dealing with the municipality's investments. In compliance with the requirements of good governance, the municipal manager shall open a bank account for ordinary operating purposes, and shall further maintain a separate account for each of the following: the administration of the external financial fund and of the asset financing reserve. One or more separate accounts shall also be maintained for the following: capital receipts in the form of grants, trust funds; and the municipality's self-insurance reserve. In determining the number of additional accounts to be maintained, the municipal manager, in consultation with the chief financial officer, shall have regard to the likely number of transactions affecting each of the accounts referred to. Unless there are compelling reasons to do otherwise, and the council expressly so directs, all the municipality's bank accounts shall be maintained with the same banking institution to ensure pooling of balances for purposes of determining the interest payable to the municipality.

9. RAISING OF DEBT

The municipal manager is responsible for the raising of debt, but may delegate this function to the chief financial officer, who shall then manage this responsibility in consultation with the municipal manager. All debt shall be raised in strict compliance with the requirements of the municipal finance management act 2003, and only with the prior approval of the council. Long-term debt shall be raised only to the extent that such debt is provided for as a source of necessary finance in the capital component of the approved annual budget or adjustments budget. Short-term debt shall be raised only when it is unavoidable to do so in terms of cash requirements, whether for the capital or operating budgets or to settle any other obligations, and provided the need for such short-term debt, both as to extent and duration is clearly indicated in the cash flow estimates prepared by the chief financial officer. Short-term debts shall be raised only to anticipate a certain long-term debt agreement or a certain inflow of operating revenues.

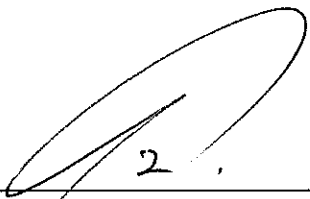
10. INVESTMENTS FOR THE REDEMPTION OF LONG-TERM LIABILITIES

In managing the municipality's investments, the chief financial officer shall ensure that, whenever a long-term (non-annuity) loan is raised by the municipality, an amount is invested at least annually equal to the principal sum divided by the period of the loan. Such investment shall be made against the bank account maintained for the external finance fund, and shall be accumulated and used only for the redemption of such loan on due date. The making of such investment shall be approved by the council at the time that the loan itself is approved. If the loan raised is not a fixed term loan, but an annuity loan, the chief financial officer shall ensure that sufficient resources are available in the account maintained for the external finance fund to repay the principal amounts due in respect of such loan on the respective due dates.



11. INTEREST ON INVESTMENTS

The interest accrued on all the municipality's investments shall, in compliance with the requirements of generally accepted municipal accounting practice, be recorded in the first instance in the municipality's operating account as ordinary operating revenues, and shall thereafter be appropriated, at the end of each month, to the fund or account in respect of which such investment was made. In the case of the external finance fund, the chief financial officer may reduce the amount which must be annually invested to redeem any particular loan by the amount of interest so accrued. If the accrual of interest to the external finance fund, unutilised capital receipts and trust funds results in a surplus standing to the account of any such funds, that is, an amount surplus to the resources required in respect of such funds or accounts, such surplus amount shall be credited by the chief financial officer to the appropriation account and reappropriated to the asset financing reserve.

SIGNED BY  _____ DATE _____
DR. SEBASHE S.S.
ACTING MUNICIPAL MANAGER



**MARULENG MUNICIPALITY
BORROWING POLICY**

2025-2026

COUNCIL RESOLUTION:

DATE:

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- (a) A monetary liability or obligation on a Municipality by –
 - i. a financing agreement, note, debenture, bond or overdraft; and
 - ii. the issuance of municipal debt instruments; and
- (b) A contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

1.13 **"Security"** means any mechanism intended to secure the interest of a lender or investor and includes any of the mechanisms mentioned;

1.14 **"Short term debt"** means debt that is repayable over a period not exceeding one (1) year;

1.15 **"Sinking fund"** means a fund established where provision is made to accumulate sufficient funds to repay the capital on a municipal bond issue at the end of the loan period as a lump sum which is termed a 'bullet' payment; and

1.16 **"QBMR"** means Quarterly Borrowing Monitoring Return.

2. PURPOSE

- 2.1 To establish a borrowing framework policy for the Municipality and set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds.

3. OBJECTIVES OF THE POLICY

- 3.1 Maruleng Local Municipality's aimed at gaining the lowest interest rate on any external borrowings, short-term as well as long-term, but still the credit exposure risk in mind. The effectiveness of this policy is to ensure that the cash management program make provision for the repayment of interest and redemption on the external borrowings.
- 3.2 It is the responsibility of council as a trustee of the community's revenue to ensure that the best repayment interest rates on external borrowings is obtained through a fair and transparent tender process and to ensure compliance with all Legislation and Council policy's governing borrowings of funds.

4. SCOPE

4.1 The primary goal in the borrowing of funds is to ensure that the funds are obtained at the lowest possible interest rates at minimum risk, within the parameters of authorized borrowings.

4.2 Risk Management

The need to manage interest rate risk, credit risk exposure and to maintain debt within specified limits is the foremost objective of the borrowing policy. To attain this objective, diversification is required to ensure that the Chief Financial Officer prudently manages interest rate and credit risk exposure.

4.3 Cost of Borrowings

The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by Legislation.

4.4 Prudence

Borrowings shall be made with care, skill, prudence and diligence.

5. ETHICS

5.1 In dealing with financial institutions, the following ethical principles must be adhered to:

5.1.1 The chief Financial Officer shall not accede to any influence by or interference from councillors, borrowing institutions or any outsiders.

5.1.2 Under no circumstances may inducements to borrow be accepted.

5.1.3 The business ethics of any controlling body (Financial Services Board) of which Maruleng Local Municipality is a member must be observed by such institution or body at all times.

6. PRINCIPLES

6.1 The guiding principles in Chapter 6 of the MFMA in terms of short-term and long-term debt must be adhered to in order to facilitate the administration of council's borrowings.

7. DELEGATIONS OF AUTHORITY

- 7.1 The relevant Legislation in terms of which borrowing decisions are governed is the Local Government Municipal Finance Management Act, No 56 of 2003.
- 7.2 The Municipal Regulations on Debt Disclosure has been promulgated (Government Gazette no. 29966, 15 June 2007) and has been effective from 01 July 2007 for a municipality or municipal entity. Refer to Annexure A2, Municipal Finance Management Act: Municipal Regulations on Debt Disclosure.
- 7.3 Council is the only body that can approve external borrowing as a budget item. The Bid Adjudication committee appoints the tender to the successful bidder and thereafter Council will delegate to the Municipal Manager of the municipality to enter into a contract with the successful bidder and the signing thereof.

8. NOMINEE ACCOUNT

- 8.1 All monies disbursements as a result of the borrowing must be placed into the primary bank account of the municipality and this account must be reported to National and Provincial treasury and the Auditor general in terms of section 9 (a) and (b) of the MFMA.

9. REGISTERED FINANCIAL INSTITUTIONS

- 9.1 When borrowing needs to be done it should be required from the borrowing institutions to state whether they are registered in terms of the bank act of 1990 and/or any other applicable legislation.

10. GENERAL BORROWING PRACTICE

10.1 GENERAL

- 10.1.1 Borrowings shall be done at an institution offering the most favourable repayment interest rates on the amount to be borrowed over a specific period.

- 10.1.2 Institutions shall be advised that in submitting their tenders they must offer their best interest rates for the repayment of the interest and redemption on the borrowings. Council have the write to take on a loan in full or just part thereof.
- 10.1.3 After submission of the tender no discussion or negotiation will be entered into until such time the tender is awarded to the successful bidder.

10.1.4 Certificates of balances on the outstanding amounts on the loans must be acquired and the end of the financial year.

10.2 TYPES OF LOANS AND FINANCING

10.2.1 Annuity loans

Annuity loans are straight forward and uncomplicated. The loan amount, interest rate and repayment period offered by the Financial Institution are fixed. The calculation of the instalment payable on an annuity/fixed redemption basis is simple and straight forward. Normally with an annuity loan, the instalment of the loan will be repaid in equal six monthly instalments over the term of the loan. The capital portion of the instalment will increase over the duration of the loan, and conversely, the interest amount charged will decrease over the loan period. Where the interest rate offered by the Financial Institution is on a variable basis, an interest rate swap (IRS) should be taken out. An IRS agreement will need to be signed with the party agreeing to accept the variable rate and in turn, offer the fixed rate to the Municipality. An Interest Rate Swap Agreement must comply with the terms set out by the International Swap Dealers Association (ISDA). The fixing of debt repayments is an important consideration in meeting the financial requirements of the Municipality, that of annually producing a balanced budget. There are from time to time various options offered by Financial Institutions which need to be treated on their merits and which could invariably result in slightly lower interest rates being offered.

10.2.2 Bullet payment redemption

In this instance, the total capital is usually repaid at the end of the term and interest on the total amount borrowed is paid annually or semi-annually. The interest rate can be fixed and the interest payable is known for the duration of the loan. Cash has to be set aside to repay the capital at the end of the term. The lender could require security in the form of an investment (sinking fund).

10.2.3 Bonds

A Bond is an instrument used by Government and Parastatals such as Telkom, Eskom, Transnet, Corporates and Municipalities to raise loan capital on the open market. Bond holders have the right to interest, usually paid on a semi-annual basis, and the repayment of the capital amount reflected on the stock certificate held on maturity date. The coupon, maturity, principal value and market value are intrinsic features of a Bond. The most critical variable factor in determining Bond rates is the expected long term trend in inflation, in order to provide a return that equals inflation plus a risk premium. The higher the risk attached to a borrower, the higher will be the risk premium investors will demand. During its tenure the Bond will trade on the Bond market at prevailing interest levels. The price of a Bond trading at any given time on the market is a function of prevailing interest rates. Bond prices move inversely to

movements in interest rates.

10.3 OTHER CONSIDERATIONS

10.3.1 The Municipality has by the judicious use of surplus funds and external long term debt implemented its Integrated Development Plan, which has facilitated the much needed service delivery program.

Factors to be considered when borrowing:

- (a) The type and extent of benefits to be obtained from the borrowing;
- (b) The length of time the benefits will be received;
- (c) The beneficiaries of the acquisition or development;
- (d) The impact of interest and redemption payments on both current and forecasted property tax and services revenue;
- (e) The current and future capacity of the property tax base and rendering of services to pay for borrowings and the rate of growth of the property tax base and services;
- (f) Likely movements in interest rates for variable rate borrowings;
- (g) Other current and projected sources of funds;
- (h) Competing demands for funds; and
- (i) Timing of money market interest rate movements and the long term rates on the interest rate curve.

10.3.2 The Municipality will, in general, seek to limit its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges. The Municipality may only borrow funds, in terms of the Municipal Finance Management Act, for the purpose of acquiring assets, improving facilities or infrastructure to provide service delivery.

10.3.3 Maruleng Local Municipality may incur long term debt only for the purpose of Capital expenditure on infrastructure, property, plant or equipment to be used for the purpose of achieving the objects of Local Government as set out in section 152 of the Constitution.

10.3.4 The use of external loans should be limited to financing infrastructure where a return can be realised from tariffs to service the debt, or major infrastructure exceeding R10 million for a single project, with long term benefits to the community as a whole, where indirect revenue streams are evident.

10.3.5 The current gearing for external loans should not exceed the 50% mark (total outstanding debt ÷ total operating revenue less conditional grants). However, if investment in infrastructure is needed to stimulate economic development with clear benefits for the community as a whole over the short and medium term, then the gearing ratio may exceed the 50% mark provided that interest and redemption to service external loans shall not exceed 20% of total operating.

10.4 CONTROL AND MONITORING BORROWINGS

10.4.1 A proper record must be kept and maintained of all the borrowings made, indicating at least the Institution, Borrowing amount, Interest rate, Start date, Closing date, Redemption amount, Interest amount and the purpose on the borrowing.

10.4.2 Repayment schedules received from the borrowing institutions must be checked to verify the correctness of the repayments. Repayment of Interest and redemption must be done in time to avoid penalty interest.

10.5 REPORTING

The Financial Officer shall in terms of section 71 report to National and Provincial treasury on the state of the borrowings. This reporting must be done on a monthly and quarterly basis.

A report on the stand of the borrowings must also be submitted to council. A report is drawn up marked "Appendix A" to be included in the Annual Financial Statements.

11. REFINANCING DEBT

11.1 Section 46 of the Municipal Finance Management Act provides that the Maruleng Local Municipality may refinance existing long term debt, if such refinancing is in accordance with the framework as prescribed by the Municipal Finance Management Act, as follows:

- (a) *The Municipality may borrow money for the purpose of refinancing existing long term debt, provided the existing long term debt was lawfully incurred and the refinancing will not extend the term of the debt beyond the useful life of the infrastructure, property, plant or equipment for which the money was originally borrowed.*

- 11.2 Cognisance must be taken of any early repayment penalty clauses in the initial loan agreement, as part of the financial feasibility assessment. No loans will be prematurely redeemed unless there is a financial benefit to the Municipality.

12. DEBT REPAYMENT PERIOD

- 12.1 Whilst the period for which loan debt may be received will vary from time to time according to the needs of the various Lenders, presently the typical debt repayment period for loans is fifteen years, though not closely matching the underlying asset lives serviced by the loans.

- 12.2 Cognisance is taken of the useful lives of the underlying assets to be financed by the debt, and, moreover, careful consideration is taken of the interest rates on the interest yield curve. Should it be established that it is cost effective to borrow the funds on a shorter duration (as opposed to the life of the asset) as indicated by the interest yield curve, the loan will be negotiated to optimise the most favourable and cost effective benefit to the Municipality.

13. SECURITY

- 13.1 In terms of the Municipal Finance Management Act the Municipality may provide security for any of its debt obligations, including the giving of a lien, pledging, mortgaging or ceding an asset, or giving any other form of collateral. It may cede as security any category of revenue or rights of future revenue. Some Lenders may require the Municipality to agree to restrictions on debt that the Municipality may incur in future until the secured debt is settled.

14. SHORT TERM DEBT

- 14.1 The Municipal Finance Management Act provides that the Municipality may incur short term debt only when necessary to bridge shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long term debt commitments.
- 14.2 The municipal council may approve an individual transaction or a credit facility for a line of credit or overdraft facility.

- 14.3 The Municipality must pay off short term debt within the same financial year and may not renew or refinance its short term debt if it will have the effect of extending the short term debt into a new financial year.

15. DISCLOSURE

- 15.1 The Municipality must, when interacting with a prospective Lender or when preparing documentation for consideration by a prospective Investor, disclose all relevant information that may be requested or that may be material to the decision of the prospective Lender or Investor. Reasonable care must be taken to ensure the accuracy of any information disclosed. Whilst this is a standard and acceptable business practice, it is also in compliance with section 49 of the Municipal Finance Management Act.

16. GUARANTEES

- 16.1 The Municipal Finance Management Act provides that the Municipality may not guarantee any debt of any entity unless the entity is a Municipal entity under its sole ownership control. The debt must be reflected in the approved business plan of the entity. The guarantee must be authorised by the Municipality. This must be done in the same manner and subject to the same conditions applicable to any other borrowings. Neither the National nor Provincial Government may guarantee the debt of any Municipality.

17. APPROVAL OF LOANS BY THE MUNICIPALITY

- 17.1 Section 46 of the Municipal Finance Management Act stipulates that the Municipality may incur long-term debt only if a resolution of the Council, signed by the mayor, has approved the debt agreement and the Accounting Officer has signed the agreement or other document which acknowledges the debt. At least 21 days prior to the meeting of the Council at which approval for the debt is to be considered, the Municipality must make public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided. The Public, the National Treasury and Provincial Treasury must be invited to submit written comments or representations to the council in respect of the proposed debt.
- 17.2 A copy of the information statement submitted to Council at least 21 days prior to the meeting to approve the loan agreement must contain particulars of –

- (a) the essential repayment terms, including the anticipated debt repayment schedule; and
- (b) the anticipated total cost in connection with such debt over the repayment period.

18. PROVISION FOR REDEMPTION OF LOANS

- 18.1 Maruleng Local Municipality may borrow from Institutions and set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet payment on the maturity date of the loan. These sinking funds may also be invested directly with the Lender's Bank. The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.

19. NON-REPAYMENT OR NON-SERVICING OF LOAN

- 19.1 Maruleng Local Municipality must honour all its loan obligations timeously. Failure to effect prompt payment will adversely affect the raising of future loans at favourable costs of borrowing.
- 19.2 Failure to pay any loan instalment, even by one day, and even if only through administrative oversight, will have severe repercussions, and may jeopardise the Municipality's credit rating.
- 19.3 In addition to the timeous payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements.

20. PROHIBITED BORROWING PRACTICES

- 20.1 Maruleng Local Municipality shall not borrow for investment purposes, with the sole purpose of investing to earn a return. The cost of debt is almost always more expensive than the return that the Municipality can derive by investing in permitted investments.
- 20.2 Foreign Borrowing is permitted in terms of section 47 of the Municipal Finance Management Act, whereby the debt must be denominated in Rand and is not indexed to, or affected by, fluctuations in the value of the Rand against any

SIGNED BY _____

DR SEBASHE SS
ACTING MUNICIPAL MANAGER

DATE

09/05/2025