

GEORGE MUNICIPALITY

FIN003 OF 2024: INFORMATION STATEMENT REGARDING THE RAISING OF EXTERNAL FINANCING OF R374.1 MILLION - CAPITAL PROGRAM 2023/2024

PURPOSE:

The purpose of this information statement is to obtain comments from the public, National Treasury and Provincial Treasury regarding the anticipated raising of external loans of R374 135 001 for the financing of a portion of Council's 2023/2024 capital program.

BACKGROUND:

Council intends to enter into a borrowing agreement to finance the purchase of several vehicles, plant and infrastructure in the capital program for the 2023/2024 financial year. Council has already approved the capital program for the 2023/2024 financial year during the approval of the budget on 29 May 2023.

The Municipal Finance Management Act lists the requirements for taking up external loans. Particularly, section 46 reads as follows:

- “46. (1) A municipality may incur long-term debt only in accordance with and subject to any applicable provisions of this Act, including section 19, and only for the purpose of:*
- (a) capital expenditure on 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, including costs referred to in subsection (4); or*
 - (b) re-financing existing long-term debt subject to subsection (5).*
- (2) A municipality may incur long-term debt only if-*
- (a) a resolution of the municipal council, signed by the mayor, has approved the debt agreement; and*
 - (b) the accounting officer has signed the agreement or other document which creates or acknowledges the debt.”*

In terms of Section 46(3) of the Municipal Finance Management Act, 2003 (No 56 of 2003):

“A municipality may incur long-term debt only if the accounting officer of the municipality-

- (a) has, in accordance with section 21A of the Municipal Systems Act-
 - (i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made 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; and
 - (ii) invited the public, the national treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and
- (b) has submitted a copy of the information statement to the municipal council at least 21 days prior to the meeting of the council, together with particulars of-

- (i) the essential repayment terms, including the anticipated debt repayment schedule; and
- (ii) the anticipated total cost with such debt over the repayment period”

PROPOSED DEBT:

Council intends to enter into a borrowing agreement to finance the purchase of vehicles, plant and infrastructure as contained in Council’s capital program for the 2023/2024 financial year. The table below reflects the borrowing period, amount, indicative fixed interest rate.

TYPE	DEBT AMOUNT
Infrastructure Assets	R 329 600 001
Transport Assets	R37 035 000
Machinery and Equipment	R7 500 000
TOTAL	R374 135 001

2023/24 Loans / Financing:

PERIOD	DEBT AMOUNT	INDICATIVE INTEREST RATE (FIXED)
5-20	R 374 135 001	7.5 - 11%

PURPOSE OF CAPITAL EXPENDITURE:

The purpose of this expenditure is to enable the City of George to provide the necessary infrastructure to enhance the urban living conditions in the area and to provide the necessary vehicles and plant to improve Council’s service delivery to the community.

STARTING DATE:

Council plans to complete the borrowing for 2023/2024 at the end of June 2024.

SECURITY:

Council does not intend to provide any security for the proposed debt.

LEGISLATIVE REQUIREMENTS:

Council adheres to the terms of the Municipal Finance Management Act, No.56 of 2003 & the Municipal Systems Act, No. 32 of 2000 regarding the prescribed procedures and processes in conjunction with the requirements as outlined in the Circular 26 issued by National Treasury.

REPAYMENT:

Repayment of the borrowing will be funded from the existing income stream derived from rates and service charges.

Indicative repayment schedules showing dates and all payments of the principal and interest of the proposed borrowings will be prepared and will form part of the official loan documentation.

Redemption conditions of the loan: the loan will be repaid in equal semi-annual installments for the duration of the loan term.

INSTRUMENT TYPE:

The type of loan will be a long-term loan, finance lease, or hire purchase agreement over a five to twenty -year period, with an indicative fixed interest rate varying between 7.5-11%. The final rate will be fixed once the terms and conditions have been approved by Council.

FOR ANY FURTHER INFORMATION CONTACT THE OFFICE AS INDICATED BELOW. WRITTEN COMMENTS TO BE ADDRESSED TO ANY OF THE FOLLOWING ADDRESSES BEFORE OR ON SATURDAY, 17 FEBRUARY 2024:

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