

DRAKENSTEIN MUNICIPALITY



BORROWING POLICY

REVIEWED: OCTOBER 2010

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Scope

A municipality may incur debt (short-term & long-term) in accordance with section 230A of the constitution.

Borrowing Policy Objective

Drakenstein Municipality's borrowing policy is aimed at gaining the lowest interest rate on any external borrowings, short-term as well as long-term. 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

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.

Borrowing Ethics

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

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

Under no circumstances may inducements to borrow be accepted.

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

Borrowing Principles

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.

Nominee Account

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

Registered Financial Institutions

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.

General Borrowing Practice

General

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

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 their of.

After submission of the tender no discussion or negotiation will be entered into until such time the tender is awarded to the successful bidder.

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

Control and Monitoring Borrowings

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.

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.

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.

Delegations of Authority

Council is the only body that can approve external borrowing as a budget item. Thereafter the Bid Adjudication committee appoints the tender to the successful bidder. Council then delegate to the Municipal Manager and the Chief Financial Officer of the municipality to enter into a contract with the successful bidder and the signing thereof