



PROVINCIAL TREASURY

Provincial Government of the Western Cape

Liabilities Management

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REFERENCE: T13/12/2

ENQUIRIES: DP Alexander

TREASURY CIRCULAR MUN NO 42/2010

THE MAYOR, CITY OF CAPE TOWN: MR D PLATO
THE MAYOR, WEST COAST DISTRICT: MRS H KITSHOFF
THE MAYOR, MATZIKAMA MUNICIPALITY: MR P BOK
THE MAYOR, CEDERBERG MUNICIPALITY: MS J MOUTON
THE MAYOR, BERGRIVIER MUNICIPALITY: MR J LIEBENBERG
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR J SKEI
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
THE MAYOR, CAPE WINELANDS DISTRICT: MR B CHABAAN
THE MAYOR, WITZENBERG MUNICIPALITY: MS M GILDENHUYIS
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS C MANUEL
THE MAYOR, STELLENBOSCH MUNICIPALITY: ALDERMAN PM SWARTZ
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR C NTSOMI
THE MAYOR, LANGEBERG MUNICIPALITY: MR SJ NGONYAMA
THE MAYOR, OVERBERG DISTRICT: MS E MARTHINUS
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR C PUNT
THE MAYOR, OVERSTRAND MUNICIPALITY: MR T BEYLEVELDT
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR R MITCHELL
THE MAYOR, SWELLENDAM MUNICIPALITY: MR J JANSEN
THE MAYOR, EDEN DISTRICT: MR F STEMNET
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN
THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE
THE MAYOR, MOSSEL BAY MUNICIPALITY: ALDERLADY M FERREIRA
THE MAYOR, GEORGE MUNICIPALITY: MR B PETRUS
THE MAYOR, OUDTSHOORN MUNICIPALITY: MS D DE JAGER
THE MAYOR, BITOU MUNICIPALITY: MR LL MVIMBI
THE MAYOR, KNYSNA MUNICIPALITY: MS E BOUW-SPIES
THE MAYOR, CENTRAL KAROO DISTRICT: MR T PRINCE
THE MAYOR, LAINGSBURG MUNICIPALITY: MS R MEYER
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M BENJAMIN
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MS J JONAS

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM
THE MUNICIPAL MANAGER, WEST COAST DISTRICT: MR H PRINS
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR DG O'NEILL
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATHYSE
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: MS C LE ROUX
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR J FORTUIN
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT: MR M MGAJO
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR S KABANYANE
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MR D DANIELS
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR A PAULSE
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR SA MOKWENI
THE MUNICIPAL MANAGER, OVERBERG DISTRICT: MR R BUTLER (ACTING)
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR HSD WALLACE
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: ADV W ZYBRANDT
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR R STEPHENS
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR M STEENKAMP (ACTING)
THE MUNICIPAL MANAGER, EDEN DISTRICT: MR M HOOGBAARD (ACTING)
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR KR DE LANGE
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: DR M GRATZ
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR G RAS (ACTING)
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR N PIETERSEN
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR L NGOQO
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR J DOUGLAS
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT: MR S JOOSTE
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR P WILLIAMS
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MS J FORTUIN
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR M RICHARDSON
THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT: MR J KOEKEMOER
THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR LJ BRUWER
THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR F LÖTTER
THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR JA VAN NIEKERK
THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR J VAN COLLER (ACTING)
THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR K COOPER
THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT: MR JG MARAIS
THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR R ESAU
THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR CM PETERSEN
THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR M BOLTON
THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS
THE CHIEF FINANCIAL OFFICER, BREEDE RIVER/WINELANDS: MR CF HOFFMANN
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT: MR O McKENZIE
THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR S JACOBS
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MR H KLEINLOOG
THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H SCHLEBUSCH
THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MR J DE JAGER (ACTING)
THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT: MR NB DELO
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR BT LALOR
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR HF BOTHA
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR M CUPIDO (ACTING)
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR K JORDAAN
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR D LOTT
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR G EASTON
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT: MR CJ KYMDELL
THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J VAN DER WESTHUIZEN
THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR D LOUW

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
THE HEAD: ASSET MANAGEMENT (MR TC ARENDSE) (PRO TEM)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUIJS)
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR N VAN NIEKERK) (ACTING)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MR A REDDY) (PROTEM)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)
THE SENIOR MANAGER: IMMOVABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS - NATIONAL TREASURY (MR J HATTINGH)

RAISING OF EXTERNAL LOAN FUNDING TO FINANCE CAPITAL EXPENDITURE

1. PURPOSE

- 1.1 The purpose of this circular is to advise municipalities on the invitation to Provincial Treasury to submit written comments or representations to the council in respect of the proposed long-term debt.

2. BACKGROUND

- 2.1 The requirement in terms of Section 46(3) (a) (ii) of the Municipal Finance Management Act 2003 (Act No 56 of 2003), for Provincial Treasury to submit written comments or representations, involves a detailed analysis by the respective MFMA components within Provincial Treasury in relation to the information provided by the municipality for this purpose.
- 2.2 Provincial Treasury is expected to provide a meaningful response, and for this reason would require that the municipality provides all the information required, timeously, for Provincial Treasury to fulfill its obligation and for Council, on the basis of the response, to make an informed decision for approval/ disapproval of the long-term debt proposal.

3. LEGISLATIVE REQUIREMENTS

- 3.1 The municipality must comply with all the terms of the Municipal Finance Management Act No 56 of 2003 and the Municipal Systems Act No 32 of 2000 regarding the prescribed procedures and processes in conjunction with the requirements outlined in Circular 26 issued by National Treasury.
- 3.2 The municipality should ensure that the information statement regarding the raising of the long-term debt for the capital program of the relevant financial year indicates the following:
- Purpose
 - Background
 - Principle Loan Approval (Date and Council Resolution of approval by Council)
 - Proposed Debt (Borrowing period, amounts, fixed interest rates and cost, disseminated in terms of the individual life spans and linkage to the various asset classes)
 - Purpose of the Capital Expenditure
 - Starting Date
 - Security
 - Legislative Requirements
 - Repayment
 - Borrowing Cost
 - Instrument Type
 - Source of Finance
 - Councils Resolution

- Details where the written comments should be addressed to
- Closing Time for Comments (At least 15 days response time)
- Sign-off by Municipal Manager

3.3 The municipality should complete the following table.

Table 1 Information of the long-term debt proposal

No	MFMA	Details	Information Provided (Yes/No)
1	46(3) (a)(i)	Copy of Information Statement containing particulars of the proposed borrowing	
2	46(3)(b)(i) and(ii)	<ul style="list-style-type: none"> ➤ Amount of debt to be raised ➤ Purpose of debt (Reference to Appendix) ➤ Interest rate applicable (fixed or variable) ➤ Planned start date and end term (Term of Instrument) ➤ Detailed repayment schedule for duration of the debt (dates and all payments of principal & interest) Refer to Appendix ➤ Total estimated cost of debt over repayment period ➤ Type of borrowing instrument (Selected from QBMR) ➤ Security to be provided (Selected from QBMR) and provide details ➤ Source of loan funds (Selected from QBMR) 	
3	46 (3) (a) (i),(ii)	<p>A schedule of consultation</p> <ul style="list-style-type: none"> • Dates when information statement was made public • Details of meetings, media adverts and other means of consultation on the proposed debt 	

No	MFMA	Details	Information Provided (Yes/No)
4	46 (6) 17 (2) 19	Copy of the approved budget and relevant documentation supporting the budget. The highlighted assets to be funded by the proposed debt and revenue to be received. Demonstration that the proposed debt is consistent with the IDP, Capital budget and revenue is shown accordingly (Reference to Appendix)	
5	46 (5)	Purpose of debt (For financing or not financing of existing LT debt)	
6	19 (1) (d)	Sources of funding to repay the loan. Revenue streams (existing or new revenue)	
7		Schedule of all long term debt in QBMR format displaying principal & interest payments for the life of all loans and other investments setup as sinking funds	
8	50	In the case of a municipal entity, details of any guarantee or other forms of security to be issued by the parent municipality (Refer to Appendix)	
9		Indication that copy of the council/board of directors resolution approving the debt instrument to be forwarded once approved	

- 3.4 The municipality to complete the Long-Term Debt Certification and to ensure that it is dated and signed by the Municipal Manager (Accounting Officer) and the Executive Mayor/ Chairperson of the Board.
- 3.5 The Municipal Manager should ensure that all the required correspondence (hard/soft copies) are posted to 7 Wale Street, Cape Town and e-mailed to the responsible MFMA Co-ordinator, Mr Frans Sabbat, at MFMA@pgwc.gov.za, least 30 days before submission to Council.

4. RECOMMENDATION

- 4.1 The municipality should pursue a full public participation process regarding the proposed long-term debt.
- 4.2 The municipality should ensure that due process is followed in terms of the Supply Chain Management Policy of the municipality in finalising the long-term debt transaction.
- 4.3 The municipality should provide a copy of the Council Resolution to Provincial Treasury, approving the loan funding as soon as possible.

Your co-operation in this regard will be appreciated .

A handwritten signature in black ink, appearing to be 'DP Alexander', written over a light blue horizontal line.

DP ALEXANDER

FINANCIAL ASSET MANAGER: LIABILITIES MANAGEMENT

DATE: 4 December 2010