

## NKANGALA DISTRICT MUNICIPALITY



### PROVISION FOR A SHORT-TERM LOAN FOR NKANGALA DISTRICT MUNICIPALITY FOR A PERIOD OF TWELVE (12) MONTHS.

#### SCOPE OF WORK

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##### 1. Introduction

The Municipality hereby invites bids from registered financial institutions for the provision of a short-term loan for Nkangala District Municipality for a period of twelve (12) months in compliance with the Municipal Finance Management Act No. 56 of 2003.

**Section 45(3) states that a municipality may incur overdraft facilities only if all of the following conditions are met:**

##### 1.1. The overdraft must be temporary

- It cannot be used as a long-term financing mechanism.
- It is intended only to cover short-term cash flow shortages.

##### 1.2. The overdraft must be repaid within the same financial year

- The municipal financial year runs from **1 July to 30 June**.
- The overdraft may not extend beyond the end of the financial year.

##### 1.3. The overdraft must be covered by realistic anticipated revenue

- There must be reasonable certainty that expected revenue (such as rates, service charges, or grants) will be received to repay the overdraft.
- Municipalities cannot borrow without assurance of repayment capacity.

## **2. Background**

This bid is issued in terms of Section 45(3) of the MFMA which regulates short-term debt, including overdraft facilities. The overdraft facility must be temporary in nature and repaid within the same financial year.

## **3. Charges and Fees**

The bidder must provide a detailed breakdown of all charges and fees applicable to the overdraft facility.

## **4. Overdraft facility requirements**

- Facility must be temporary and repaid within the same financial year.
- No automatic rollover into next financial year.
- Interest rate structure must be clearly defined.
- All bank charges and fees must be disclosed.
- No penalties for early settlement.

## **5. Conclusion**

The successful bidder shall be required to provide the following deliverables in respect of the overdraft facility, in compliance with the Municipal Finance Management Act, 2003 and applicable National Treasury Regulations:

- Provide an overdraft facility up to a maximum approved limit of R180 000 000.00.
- Ensure the facility is available on an as and when required basis.
- Provide a dedicated account manager for the Municipality.
- Maintain the overdraft facility account efficiently.
- Provide professional and timely banking support services.