



## **MOQHAKA LOCAL MUNICIPALITY**

### **INFORMATION STATEMENT REGARDING THE SUPPLY AND DELIVERY OF MUNICIPAL FLEET ON A FINANCE LEASE CONTRACT**

#### **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 debt for the financing of Council's Capital programs.

#### **BACKGROUND**

Moqhaka Local Municipality's fleet is generally on average in a "Poor" condition, and as a result the municipality is required to outsource the repairs and maintenance of its current fleet and in other instances its required to hire fleet the yellow fleet in particular as a result of some of its yellow fleet which is beyond repair.

The proposed fleet lease will help improve the quality-of-service delivery, and also enable the municipality to meet its obligations as outlined in Section 152 of the Constitution of the Republic of South Africa.

**The following is the Age analysis of the current Municipal Fleet:**

- 8 years and less = **12%**
- 9 – 12 years = **30%**
- 13 years and above = **58%**

From the above analysis, it is evident that majority (**88%**) is not in a good condition which results in the municipality spending a substantial amount of money in relation to repairs and maintenance including fleet rental.

## **PROPOSED DEBT**

Council intends to enter into a finance lease agreement to finance Council's capital program for the 2021/22 financial year. The summary below reflects the financing periods, amounts, interest rates and the related cost.

The service provider undertakes to provide the municipality with the requested vehicles as outlined in **Annexure A** (Municipal Fleet) of this document on a finance lease basis.

## **SUMMARY OF THE TERMS OF THE FINANCE LEASE:**

Finance lease amount: **R153 million rands**

Monthly repayments: **R4.250 million rands**

Interest rate: 9.75% (variable)

Repayment period: **3 years** (from date of Council approval)

The amortisation schedule of the finance lease on the municipality fleet has been attached to this document as **Annexure B**.

This contract is a finance lease, and upon payment of the final lease instalment at the end of the lease term, the ownership of the entire municipal fleet on finance lease will transfer to the Moqhaka Local Municipality.

## **REPAYMENT**

The repayment of the borrowing (lease) will be funded from the existing income streams: Rates and Service Charges.

## **LEGISLATIVE REQUIREMENTS**

Council adhered to the Terms of the Municipal Finance Management Act No. 56 of 2003 Section 46 and the Municipal Systems Act No. 32 of 2000 Sections 21 & 21A regarding the prescribed procedures and processes.

## **COUNCIL'S RESOLUTION**


Once the comments have been received, an item will be table to Council.

## **WRITTEN COMMENTS TO BE ADDRESSED TO:**

The Chief Financial Officer  
Moqhaka Local Municipality  
P.O.Box 302  
Kroonstad  
9500

**CLOSING TIME FOR COMMENTS:**

Friday 13 August at 12H00.



---

**SJ MONYAKI**

**ACTING MUNICIPAL MANAGER**