**ANNEXURE B**

**SCHEDULE OF CHANGES TO BORROWING POLICY**

|  |  |  |
| --- | --- | --- |
| **Page reference (Old policy)** | **Old Policy** | **Proposed changes** |
| Pages 12-14  10 Financial viability | To ensure a financially sustainable Municipality, the ratios below are used as guidelines to determine the City’s ability to borrow The Chief Financial Officer must complete a financial analysis of at least the following ratios and the achievement of the following targets / norms must be included in the report:  Percentage of be included in the report:  (i) Percentage of Total Debt to Assets: A = B / C x 100;were  A = Percentage Debt in relation to Assets,  B = [ Long-term Liabilities + Current Portion of Long-term Liabilities], C = Total Assets  Target = Less than 10% (Note: End March 2025 = 3,8%)  (ii) Percentage of Debt to Revenue: A = B / C x 100;were  = Percentage Debt in relation to Revenue,  = [ Long-term Liabilities + Current Portion of Long-term Liabilities ],  = [ Total Income for the year – Operating Government Grants ]  Target = Less than 35% of Revenue (Note: End March 2025 = 25%)  (iii) Percentage of Capital Charges to Operating Expenditure: A = B / C x 100;were  = Percentage Capital Charges in relation to Operating Expenditure,  = Capital Charges,  = Operating Expenditure  Target = Less than 16% (Note: End March 2025 =14%) (iv)Percentage of Interest Paid to Operating Expenditure: A = B / C x 100;were  = Percentage Interest Paid in relation to Operating Expenditure,  = Interest Paid,  = Operating Expenditure  Target = Less than 5% (Note: End March 2025 = 2,15%)  (v) Percentage of Total Debt toEquity: A = B / C x 100;were  = Percentage Debt in relation to Equity,  = [ Long-term Liabilities + Current Portion of Long-term Liabilities ],  = Funds & Reserves  Target = Less than 10% (Note: End March 2025 = 4,32%)  (vi) Gearing:  A = B / C; were  = Ratio of Equity in relation to Long-term Debt,  = Funds & Reserves,  = [ Long-term Liabilities + Current Portion of Long-term Liabilities ]  Target = Less than 25% (Note: End March 2025 = 23%)  (vii) Current Ratio: A = B / C;were  A = Ratio of Current Assets in relation to Current Liabilities, B = Current Assets,  C = Current Liabilities  Norm = Better than 2 : 1 (Note: End March 2025 = 1,47 : 1)  (viii) LiquidRatio: A = B / C;were  A = Ratio of Cash Assets in relation to Current Liabilities, B = Cash Assets (e.g. Call Deposits, Cash, Bank),  C = Current Liabilities  Norm = At least 1.5: 1 (Note: End March 2025 = 0,96 : 1)  (ix) Percentage of Outstanding Debtors toRevenue: A = B / C x 100;were  A = Percentage Outstanding Debtors in relation to Revenue,  B = [ Consumer Debtor + Other Debtors – Current Portion of Long-term Receivables],  C = Total Income for the year  Target = Less than 18% (Note: End March 2025 = 15,2%)  (x) Percentage of Personnel Cost to Operating Income: A = B / C x 100;were  = Percentage of Personnel Cost in relation to Operating Income,  = Personnel Cost,  = Operating Income  Norm = less than 30% of Operating Income (Note: End March 2025  = 28,33%)  (c) The Accounting Officer must indicate the steps to be taken in order to address deviations from the set targets and / or any other actions required to ensure access to the capital market on a continuous basis. | b)To ensure a financially sustainable Municipality, the relevant ratios contained in the monthly financial ratios report are used as guidelines to determine the City’s ability to borrow. The Chief Financial Officer/delegatee must compile a monthly financial ratios report of at least, ratios and the achievement of the MFMA circular 71(Financial rations and norms). Targets / norms must be included in that report. |