

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
19 October 2021
(Also the agenda for the Mayoral Committee Meeting : 28 October 2021)**

**4.
HERMANUS SPORT CLUB: FUNDING FOR FURTHER DEVELOPMENT:
2021/2022 CAPITAL BUDGET**

17/7/1/2/2

R Kuchar

Senior Manager : Town & Spatial Planning

23 August 2021

(028) 313 - 8087

1. Executive Summary

Council entered into a lease agreement with the Hermanus Sport Club (HSC) for the lease of a portion of erf 1253 Hermanus. One of the conditions is that the HSC develop and manage the property as a general sport and recreational facility.

The infrastructure provided by the HSC will become the asset of Council, although the HSC will be responsible for the maintenance and operation of the facility, for the duration of the lease.

An amount of R1,9 million has been provided on the 2021/2022 Budget for the further development of the Hermanus Sport Club on Remainder Erf 1253, Hermanus. An further amount of R100 000.00 has been made available from Ward 3 Committee towards the BMX Track and Skate Park.

This item serves to recommend to Council to make the funds available in terms of the Grant-in-Aid Policy to allow the Hermanus Sports Committee (HSC) to make drawdowns from the Capital Budget as they develop the sports facilities.

2. Service Delivery and Budget Implementation Plan - IGNITE

Infrastructure and Planning
Town Planning

3. Compliance with Strategic Priorities

Infrastructure investment and development

4. Delegated Authority

None

5. Legal Requirements

Municipal Finance Management Act, 2003
Overstrand Grants-in-Aid Policy

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6. Background/Evaluation/Conclusion

Background

Council entered into a lease agreement with the Hermanus Sport Club for the lease of a portion of erf 1253 Hermanus, for the purpose of developing and managing the property as a general sports and recreational facility.

As part of the lease agreement a Site Development plan for the sport complex was approved by the Municipality and since 2009 certain phases has been implemented. The Hermanus Sport Club will have a positive influence on the community and the local economy.

Council previously resolved to make funding available to the HSC in terms of the Grant in Aid Policy. The HSC submitted drawdowns as the project progressed. The reason for this was to allow the committee to implement the project. The HSC can do it more cost effective than the Municipality, because of goodwill received from various role players and the fact that they could negotiate with service providers. This has been proven throughout the progress until now.

It is therefore recommended that the Council make the sum of R1,9 million and R100 000.00 from Ward 3 respectively, as contained in the Capital Budget for 2021/2022, available to the HSC as a Grant-in-Aid.

The funding will be administered by the Budget Holder and the Hermanus Sports Committee will be allowed to make drawdowns as the work is verified by their project engineer, in submitting official payment certificates.

Grant-in-Aid

Discussions were held between the Executive Mayor, Municipal Manager and officials to discuss the way forward with the further development of the Hermanus Sports Centre.

It was agreed that the amounts as budgeted (R1,9 million the R100 000.00 from Ward specific projects) be made available as a Grant-in-Aid to the HSC for the further development of the Hermanus Sport Club.

Clauses 5.2 and 5.3 in the Grants-in-Aid Policy state the following:

"5.2 The total expenditure on grants may not exceed 0,1% of the operational budget of the Municipality.

5.3 No transfer may be made which exceeds R100 000.00 per organization or body per annum, except for allocations to organizations which in

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terms of an agreement, perform a municipal function on behalf of the Municipality. In such case, these grants will be determined annually when the Municipality's budget is approved by Council.

Funding application will only be considered on an annual basis in response to the annual advertisement.

The Municipal Manager must place a public advert in the main local newspapers distributed in the Overstrand Municipal Area, calling for requests.

Advertisements should clearly specify the categories for which requests are called, the closing date for applications, who they should be addressed to, and where and how to obtain the relevant documentation pertaining to such applications, including the prescribed forms.

Only applications made on the prescribed form (See Annexure C) may be considered.

Advertisements should also clearly reflect the Municipality's right not to make an award, as well as the fact that awards will not be made to organization that have received funds in the previous year but have not complied to the Memorandum of Agreement."

Council will thus consider a deviation on the above clauses in terms of this allocation.

Evaluation

Grant- in-Aid

There are a few reasons why a grant-in-aid will be the most suitable approach for the allocation of the budgeted amount to benefit the Municipality and ultimately the community.

Firstly, should the Grant-in-Aid of the HSC be made subject to the further development of the club house and to improve the safety of the structures on the property.

Secondly, the HSC, although it must comply with Section 67 of the Municipal Finance Management Act, 2003 (Act 56 of 2003), can negotiate with contractors and suppliers for better tariffs. Council is bound by the prescriptions of the MFMA.

Recent comparisons between projects indicate that the private sector can complete projects for up to 30% less than those undertaken by a Municipality.

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The HSC would then be able to do maximise the benefit with regard to the amount available.

Thirdly, various businesses in town have indicated that they would provide their services and goods at cost towards this project. Only the HSC would be able to take advantage of this, due to stringent legislation applicable to the municipal procurement processes.

Council Grants-in-Aid Policy states the following:

“The objective of the Grants-in-Aid Policy is to complement the goals, objectives, programmes and actions of the Overstrand Municipality in order to create a sustainable, credible and caring town by empowering and building communities and enhancing growth and sharing through partnerships. Grants-in-Aid should improve the opportunity for the Municipality to elicit the support of external organizations to deliver those services to communities which fall within the Municipality’s area of responsibility in a way that allows the Municipality to create an enabling environment for community development and partnerships.

A key objective is to provide the opportunity of creating sustainable partnerships with outside agencies to achieve the objectives of the Municipality’s Business Plan as outlined in the Integrated Development Plan.

It should also provide the opportunity for developing methods of joint funding strategies with outside agencies such as matching funding or sponsorship partnerships to meet the objectives of developmental local government.”

Council, if approving this grant-in-aid for the HSC, will be fulfilling the above objective.

In addition to this, the HSC will continue with fundraising to endeavor to further development and complete the project.

Deviation of the Grants-in-Aid Policy

Council’s policy makes provision for a grant-in-aid to sports bodies.

However, as explained, Clauses 5.2 and 5.3 restrict the amount which Council can grant.

Council therefore to consider approval of a deviation of this condition in order to allow for a Grant-in-Aid of R1,9 million and R100 000.00 from Ward 3 respectively.

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Conclusion

In order for the facility to be further developed, it is recommended that Council make the project budgeted amount off R1,9 million and R100 000.00 (from Ward) respectively available to the HSC as a Grant-in-Aid. Further, that the drawdown be submitted to the Municipality as and when the work has been completed and certified.

7. Financial Implications

Item is budgeted for in the Capital Budget 2021/2022.

8. Staff Implications

N/A

9. Comments from other Departments, Divisions and Administrations

Comment from the Chief Financial Officer

The recommendation is supported.

10. Annexures

None

RECOMMENDATION TO THE COUNCIL:

1. that Council **approves** the deviation of Clauses 5.2 and 5.3 of its Grants-in-Aid Policy;
2. that a **once off** Grant-in-aid towards Hermanus Sports Committee be made in accordance with the projects budgeted for (2021/2022 Capex), to the amount of R1,9 million and R100 000.00 respectively, on condition that they use the grant for further development of the Hermanus Sport Club: and
3. that the HSC be fully compliant with the provisions of Section 67 of the Municipal Finance Management Act, 2003.

RESPONSIBLE OFFICIAL :

R KUCHAR

TARGET DATE FOR IMPLEMENTATION :

11 NOVEMBER 2021

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**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
19 OCTOBER 2021, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:**

RECOMMENDATION:

that the item **be referred back.**

RESPONSIBLE OFFICIAL :

R KUCHAR

TARGET DATE FOR IMPLEMENTATION :

11 NOVEMBER 2021