

**11.
OVERSTRAND JUNIOR TOWN COUNCIL FUNDING FOR 2015/16**

5/16/1/2

GG Smit

(028) 3138935

Corporate Head Office

12 May 2016

1. Executive Summary

The purpose of this report is to request permission to deviate from the following provisions in the Grant-in-Aid Policy so as to enable the transfer of funds to Enlighten Education Trust for the management of the Overstrand Junior Town Council:

- (a) *"No transfer may be made which exceeds R50,000.00";*
- (b) *"Funding applications will only be considered on an annual basis in response to the annual advertisement";* and
- (c) *"Only applications made on the prescribed form may be considered."*

2. Service Delivery and Budget Implementation Plan - IGNITE

Management Services
Social Development

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services
Creation and maintenance of a safe and healthy environment
The encouragement of structured community participation in the matters of the municipality
Promotion of tourism, economic and social development

4. Delegated Authority

None

5. Legal Requirements

Section 67 of the Local Government Municipal Finance Management Act, No. 56 of 2003
Overstrand Grant-in-Aid Policy

6. Background/Discussion/ Conclusion

Background

In 2004, Hermanus High School submitted a request for the Overstrand Municipality to establish a Junior Town Council. The idea was further

investigated by the Enlighten Education Trust on behalf of the municipality. On 25 February 2004, Ald WJ Smuts announced to Council that the establishment of a Junior Town Council would become a reality.

The Enlighten Education Trust (EET) has since managed and nurtured each term of the Overstrand's Junior Town Councillors. A maximum of thirty five representatives of all the geographical areas and communities of the Overstrand municipal area are annually elected for the Overstrand Junior Town Council (OJTC). During their one year term, these Grade 10 and 11 learners have the following duties and responsibilities as prescribed in the OJTC Constitution: public appearances, in-service training, and service delivery. With regards to the latter, each Junior Town Councillor is expected to be involved in at least eight service delivery projects during his/her term of office.

The funding model through which the EET received funds for their work with the OJTC changed through the years. For the 2012/13, and the 2013/14 financial year they received an amount of R70, 000.00 each which was provided through a Grant-in-Aid application. In 2014 the Grant-in-Aid Policy was amended, amongst others, to reduce the maximum amount payable to an organisation from R100, 000.00 to R50, 000.00. This was aligned to the total allocation of Grant-in-Aid funding which has been reduced from R768, 000.00 in 2012/13 to R452, 000.00 in 2013/14, and to R278, 000.00 in 2014/15 and which remains the current budget for Grants-in-Aid.

Section 67 of the Local Government: Municipal Finance Management Act, No. 56 of 2003 (MFMA) requires a municipality to ensure that certain conditions and criteria are met before funds are transferred to an organisation outside any sphere of government, otherwise than in compliance with a commercial transaction.

The Grant-in-Aid Policy applies to all transfers of grants made by the Overstrand Municipality. It provides the restrictions, application requirements and the eligible categories. Grants-in-Aid are limited in terms of this policy to circumstances where it is reasonable and necessary for or incidental to the functions of a municipality as set out in section 156 of the Constitution, 1996 read with parts B of Schedules 4 and 5 of same.

The objective of the policy is to complement the goals, objectives, programmes and actions of the Overstrand Municipality in order to create a sustainable, credible and caring municipality by empowering and building communities and enhancing growth and sharing through partnerships. It should provide the opportunity for the municipality to elicit the support of external organisations to deliver services which fall within the Municipality's area of responsibility and to achieve the objectives of the Municipal business plan as outlined in the Integrated Development Plan.

Discussion

The funding requirements for the management of the Overstrand Junior Council was no longer attainable through the Grant-in-Aid Policy due to the fact that the required amount is above the R50, 000.00 limit of the policy. In 2014/15 this challenge was overcome through a direct payment to EET in terms of a Memorandum of Agreement.

However, with the SCOA budget format that has been in use since 2015, the description / classification of the funds changed. The R70, 000.00 that has been budgeted for the Junior Town Council in the Social Development Department budget is classified as a Grant to Organisations. In addition to this, the Grant-in-Aid Policy applies to all transfers of grants made by the Overstrand Municipality. The OJTC funds to EET can therefore only be paid to the latter in terms of the Grant-in-Aid Policy.

Section 67 of the MFMA provides for the transfer of funds to organisations and bodies outside government otherwise than in compliance with a commercial or other business transaction. The Grant-in-Aid Policy provides additional requirements and restrictions above and beyond the requirements of Section 67. The restrictions relate to categories or conditions that are eligible or not for Grants-in-Aid, application requirements and procedure, and public advertisement.

The funding transfer of R70, 000.00 to EET for the management of OJTC complies with requirements and conditions set out in Section 67 of the MFMA, as well as with the Grant-in-Aid Policy in general. The funding transfer only deviates from the policy in that the amount is above the R50, 000.00 limit, the funding application was not in response to the annual advertisement, and application is not on the prescribed form.

This request to transfer funds to EET was also verbally submitted to the Grant-in-Aid adjudication committee members who have agreed that R70, 000.00 be awarded to EET on condition that a deviation on the Grant-in-Aid Policy is approved by Council.

Conclusion

The OJTC is a project of the Overstrand Municipality that has been managed by EET since its inception in 2004. The project is recorded in the municipality's 2015/16 Integrated Development Plan on page 72 with reference to EET and Overstrand municipality as the responsible organisations and stakeholders. Funding of R70, 000.00 was made available for this project in the 2015/16 budget under the Social Development Department.

These funds can only be legally transferred to EET in terms of the Grant-in-Aid Policy. The transaction will comply with requirements of Section 67 of the MFMA and all other requirements of the Grant-in-Aid Policy with the exception that the amount is above the R50, 000.00 limit, the funding application was not

in response to the annual advertisement, and application is not on the prescribed form.

Allowing for a deviation on these aspects of the Grant-in-Aid policy will therefore have no material impact on the legislative requirements of the MFMA or any of the other compliance requirements of the Grant-in-Aid policy.

7. Financial Implications

Source of Funding: Operating Budget Provisions

Unique Key	: 20150305095102
Cost Account	: 10680254240000
Item Description	: OperMonetr:Other N-Prof Inst
Budget Provision 2015/2016	: R70, 000.00
Spent to Date/Committed	: R 0
Balance Available	: R70, 000.00
Funds Required *This report)	: R70, 000.00

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

None

RECOMMENDATION TO THE COUNCIL:

1. that a deviation from the following restrictions in the Grant-in-Aid Policy **be approved:**
 - (a) *"no transfer may be made which exceeds R50, 000.00";*
 - (b) *"funding applications will only be considered on an annual basis in response to the annual advertisement";* and
 - (c) *"only applications made on the prescribed form may be considered."*
2. that a transfer of R70, 000.00 to Enlighten Education Trust for the Management of the Overstrand Junior Town Council **be approved.**

RESPONSIBLE OFFICIAL:

GG SMIT

TARGET DATE FOR IMPLEMENTATION:

JUNE 2016