



nelson mandela bay
M U N I C I P A L I T Y

**POLICY GOVERNING FINANCIAL ASSISTANCE
TO EXTERNAL ORGANISATIONS
(previously Grant-in-Aid Policy)**

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ACRONYMS

MFMA	Local Government: Municipal Finance Management Act 56 of 2003
MSA	Local Government: Municipal Systems Act 32 of 2000
NpOA	Nonprofit Organisations Act 71 of 1997

DEFINITION OF TERMS

Unless the context indicates otherwise:

“*Constitution*” refers to the Constitution of the Republic of South Africa, Act 108 of 1996;

“*Council*” refers to the Council of the Nelson Mandela Bay Metropolitan Municipality;

“*Municipality*” means the Nelson Mandela Bay Metropolitan Municipality, a Category A Municipality established in terms of Part 2 of Schedule 1 of Notice 85 in the Eastern Cape Provincial Gazette No. 654 on 27 September 2000 promulgated in terms of Section 12(1) of the Local Government: Municipal Structures Act 117 of 1998, for the municipal area described in such Notice;

“*Policy*” refers to the Policy Governing Financial Assistance to External Organisations of the Nelson Mandela Metropolitan Municipality;

“*Vulnerable*” means groups within society that face higher risks of social exclusion and poverty, including but not limited to the disabled; children; women; the elderly; blacks (i.e. Africans, Coloureds and Asians); orphans; and the homeless.

1. INTRODUCTION

Local government is responsible for realising the developmental goals of society provided for in the South African Constitution. Ordinarily, grant-in-aid policies strive to give effect to the Constitutional imperatives, by endeavouring to improve the quality of life of communities and promoting their development by means of grants to deserving organisations. Similarly, the Nelson Mandela Bay Metropolitan Municipality's Grant-in-Aid Policy, adopted by *Council* on 19 October 2006, proposes to provide grants to non-profit institutions engaged in activities that support the strategic agenda of *Council*, in instances where *Council* itself is not actively or sufficiently engaged, and where it considers the recipient of the grant to be more capable of delivering an effective service. Key in these developmental objectives is value enhancement and empowerment, particularly of those communities who have historically been disadvantaged, thus ensuring the successful transformation of our society.

Changes in legislation, together with a desire among decision-makers to achieve a more effective approach by internal and external stakeholders, necessitated the revision of the Grant-in-Aid Policy of the *Municipality*. This document seeks to give effect to the aforementioned requirements and to achieve a comprehensive approach to the granting of financial assistance to organisations outside the *Municipality*

2. REGULATORY FRAMEWORK

The Municipal Ordinance 20 of 1974 traditionally informed the Grant-in-Aid Policy of the Municipality. A number of statutes enacted, impact on the decision-making powers of municipalities and the manner in which financial assistance is provided to external organisations have created a need to bring Grant-in-Aid Policy of the *Municipality* in line with statutory developments as well as existing policy within the *Municipality*. The *Policy* is therefore informed and guided by:

- 2.1 The Local Government: Municipal Finance Management Act 56 of 2003 (MFMA) – Section 67 governs the transfer of funds to organisations and non-governmental bodies and organisations for non-commercial/business purposes;
- 2.2 The Local Government: Municipal Systems Act 32 of 2000 (MSA) – Chapter 4 gives effect to the Constitutional mandate of participatory governance, while

Chapter 7 provides for principles and practices that promote fair administration and financial management at local government level;

- 2.3 The Nonprofit Organisations Act 71 of 1997 (NpOA) – This Act regulates the manner in which non-profit organisations conduct their affairs;
- 2.4 The Property Rates Policy of the *Municipality*– This *Policy* provides property rates relief to organisations other than those who qualify for rates relief.
- 2.5 The Supply Chain Management Policy of the *Municipality* – This *Policy* governs the procurement of goods and services and regulates municipal services in circumstances contemplated in the Municipal Systems Act 32 of 2000.

3. POLICY PRINCIPLES

The *Policy* seeks to entrench and promote the following principles:

- 3.1 The improvement of the quality of life of the local community and the promotion of socio-economic development, particularly in communities that have been previously disadvantaged.
- 3.2 The support of *vulnerable* groups within the jurisdiction of the *Municipality*.
- 3.3 The fair, equitable and transparent distribution of funds by the *Municipality* to target beneficiaries.
- 3.4 The enhancement of opportunities for gaining access to financial support within the framework of the *Policy*.
- 3.5 The participation of the public in processes and decisions that affect them.
- 3.6 Good governance.

4. POLICY OBJECTIVES

The key objectives of the *Policy* are to:

- 4.1 ensure compliance with the regulatory framework governing the transfer of funds to organisations or bodies, other than in compliance with a commercial or other business transaction;
- 4.2 provide a simple application and administration process;
- 4.3 ensure procedural regularity and good governance in the administration and allocation of funds;

- 4.4 avoid duplication in the allocation of funds;
- 4.5 ensure the fair and equitable distribution of resources;
- 4.6 make provision for the conditions under which funds may be administered and managed.

5. CONDITIONS GOVERNING ALLOCATION AND DISTRIBUTION OF FINANCIAL ASSISTANCE

The following factors will be considered in decisions concerning who qualifies for financial assistance:

5.1 Eligibility criteria

5.1.1 The applicant must –

- (i) be an organisation/body/institution engaged in activities that support the strategic objectives and priorities of the *Municipality*;
- (ii) be engaged in functions that fall within the jurisdiction of the *Municipality*;
- (iii) be deemed to be capable of highly effective service delivery with respect to item (ii) above;
- (iv) through its services contribute to the developmental and transformational agenda of government through socio-economic empowerment and value creation, particularly in communities that have historically been disadvantaged;
- (v) be actively involved in addressing the plight of *vulnerable* sectors of the population of Nelson Mandela Bay; and/or
- (vi) contribute to the alleviation and/or eradication of poverty.

5.1.2 The applicant must be registered as a non-profit organisation in terms of the Nonprofit Organisations Act 71 of 1997.

5.1.3 The applicant must be able to contribute to meeting the needs of the local community.

5.1.4 The applicant's need for financial assistance: Priority for assistance may be influenced by the financial resources of the applicant, to the extent that organisations that have built up reserves for specific projects and that are self-sufficient will not be penalized. The availability of funds from other financial sources may also strongly influence decision-making.

- 5.1.5 The non-utilisation of assets by applicants, e.g. property, which could be sold - unless it forms a material source of annual income for the applicant.
- 5.1.6 Any future commitment that may be imposed on the *Council*.
- 5.1.7 Permissibility in terms of the provisions of the Local Government Municipal Finance Act 56 of 2003 or any other legislation that may be applicable at the time.
- 5.1.8 Where the applicant fails to comply with the necessary application conditions, the application may be referred elsewhere. In such an event, the applicant will be informed of any alternatives available.
- 5.1.9 The applicant organisation/body/institution must have undergone the stipulated application process for financial assistance as prescribed by the *Policy*.
- 5.1.10 Financial assistance may only be awarded to organisations/bodies/institutions that have applied for and qualified for assistance in respect of all the conditions and processes stipulated in the *Policy*.
- 5.1.11 Funds awarded to a beneficiary may NOT be used for purposes, other than specified in the application, and agreed to by *Council*.

5.2 Categories of organisations/bodies/institutions that may apply

- 5.2.1 **Arts and culture:** Libraries, museums, art galleries, agricultural societies, and art and culture organisations, particularly those organisations that promote the image and reputation of the Nelson Mandela Bay and contribute toward the restoration and preservation of South African heritage. Preference may be given to groups that stage local shows and/or perform at *Council* functions.
- 5.2.2 **Education:** Early childhood development centres/institutions, schools catering for persons with disabilities and special learners, as well as universities, public colleges and educational institutions initiating programmes for the benefit of the communities of Nelson Mandela Bay. Educational outreach programmes and/or community upliftment/development projects presented by registered welfare organisations/Section 21 companies/other non-profit making organisations.
- 5.2.3 **Environment:** Organisations/Bodies/Institutions that actively seek to promote activities that generate a respect for the safety and preservation of life, and whose constitutions make provision for the conservation and protection of fauna, flora and marine life.
- 5.2.4 **Local Economic Development:** Only **registered** non-profit organisations engaged in economic development through job creation, small, medium, micro enterprises (SMME) development, inward investment, training, empowerment,

community development and tourism may be considered.

- 5.2.5 **Sport:** Applications for development projects and/or the hosting of events, the support of amateur sport, and youth recreational activities related to sport may be considered. Applications by sporting institutions that are affiliated to provincial/national governing bodies must be channelled through the relevant governing body and reflect the manner in which a developmental and transformational agenda will be addressed in the application.
- 5.2.6 **Welfare:** Registered benevolent, welfare or charitable institutions that promote the interest of the *vulnerable* of society and work toward poverty alleviation, for example, animal welfare societies, organisations that contribute toward the empowerment of women, children, the aged, the disabled and those suffering of HIV and AIDS. Applications from member societies of the Community Chest must be considered in liaison with the Community Chest.

5.3 Extent of financial assistance

- 5.3.1 The extent of any financial assistance will be determined by virtue of an assessment of the information supplied on the prescribed application form (see Appendix 1) and the application of the criteria provided for in the *Policy*. The final decision will be at the discretion of *Council*.
- 5.3.2 The annual provision in respect of financial assistance may be distributed amongst the various categories of applicants, as set out below:
- (a) Arts and culture -15%
 - (b) Education - 15%
 - (c) Environment – 5%
 - (d) Local economic development - 20%
 - (e) Sporting bodies - 20%
 - (f) Welfare - 20%
 - (g) Other – 5%

5.4 Types of assistance for consideration

- 5.4.1 Property rates relief by way of exemption, rebate or reduction: organisations other than those that qualify to apply for rates relief in terms of the Property Rates Policy of the *Municipality* may apply for such relief.
- 5.4.2 Interest on loans in respect of permanent improvements to immovable property

let by *Council* to the applicant or owned under an agreement containing a reversionary clause in favour of *Council*.

5.4.3 Rental due on municipal property.

5.4.4 Costs of hosting provincial/national/international events in the Nelson Mandela Bay area. Sporting bodies affiliated to a provincial or national body must apply through the relevant governing body as per paragraph 5.2.5.

5.4.5 Hire and/or utilisation of municipal facilities.

5.4.6 The use and/or lease of *Council* property by early childhood development institutions at a rate not necessarily equal to market value in terms of the Supply Chain Management Policy and, where feasible, assist with the operational costs of the property.

5.4.7 Financial assistance, even in instances where property rates relief has been applied for and granted in line with the Property Rates Policy, provided that the course for such assistance is not governed in terms of the said policy.

5.4.8 Any other assistance from which the Nelson Mandela Bay Metropolitan Municipality is to derive a benefit, and that is not in conflict with any legislation or with any policy of the *Municipality*.

5.5 Types of assistance not to be considered

5.5.1 Property rates relief in respect of bodies that qualify for a rates rebate in terms of the Property Rates Policy of the *Municipality*. Applicants must be advised to apply to the Budget and Treasury Directorate in terms of the aforementioned *Policy*.

5.5.2 Relief from municipal service charges in respect of land owned/leased by an applicant, with the exception of deserving early childhood development institutions.

5.5.3 Funds for capital projects.

5.5.4 Payment of salaries, allowances, honoraria or any form of remuneration.

5.5.5 Property rates assessment.

5.6 Types of organisations that do not qualify for assistance

5.6.1 Churches;

5.6.2 Residents'/Civic/Ratepayers' organisations;

- 5.6.3 Labour or employer organisations;
- 5.6.4 Organisations that further racial discrimination or practice unfair discriminatory policies;
- 5.6.5 Organisations operating on a 'for gain', i.e. profit-making, basis;
- 5.6.6 Organisations/Bodies/Institutions affiliated to the *Municipality* through an internal arrangement;
- 5.6.7 Political parties and organisations affiliated to political parties.

6. APPLICATION PROCEDURE

6.1 Period of financial assistance

- 6.1.1 The financial assistance arrangement will be valid for one year only.
- 6.1.2 Applicants must re-apply for assistance each year, irrespective of whether or not assistance was awarded to them previously.
- 6.1.3 Consideration will be given to the extension of financial assistance to projects over a three-year period in instances where a strategic relationship with organisations/bodies/institutions that stimulate programmes that promote socio-economic development and the plight of the *vulnerable* within the jurisdiction area of the *Municipality* exist and the sustainability of such projects can be demonstrated.

6.2 Call for applications

- 6.2.1 During January each year, eligible organisations/bodies will be invited in the local press, to apply for financial assistance.
- 6.2.2 Applications must be submitted to the Executive Director: Corporate Services before 31 March each year, for consideration in August of that year - subject to approval of the Operating Budget for the new financial year. Applications submitted after the aforementioned cut-off date will be considered during the next financial year.

6.3 Screening of applications

- 6.3.1 Applications must be made on the prescribed application form and will be considered only when such form is received together with the required supporting documents.
- 6.3.2 All applications will be considered simultaneously, once a year, to enable the *Council* to apply equal and consistent measures, with due regard for relative priority.
- 6.3.3 Deviation from paragraph 6.3.1 will be subject to exceptional circumstances, where it can be proved that hardship may otherwise be suffered.
- 6.3.4 No application will be considered unless the following conditions have been met:
- (a) The application is made on the prescribed application form, obtainable from the Executive Director: Corporate Services.
 - (b) The application form is accompanied by the following applicable documentation:
 - (i) latest audited financial statements;
 - (ii) most recent annual report;
 - (iii) latest bank statement;
 - (iv) latest municipal account: an award will be subject to the payment of the municipal account. An arrangement for payment of accounts in arrears may be entered into at the discretion of *Council*;
 - (v) SARS Tax Clearance Certificate – for any award of R15 000 and above, as determined by the Supply Chain Management Policy of the *Municipality*
 - (vi) in the case of first-time applicants a copy of its Constitution, and a Business Plan and budget estimates – in respect of newly established organisations/bodies/institutions.
 - (vii) proof of registration as a Non-Profit Organisation.
 - (c) The applicant's Constitution provides that in the event of the dissolution of the organisation, any assets remaining will be handed over to an organisation or society with similar objectives.
- 6.3.5 Corporate Services Directorate shall be responsible for the administration of the awards.

- 6.3.6 Once applications close, a record must be kept for at least three years of all applications received. The record should include:
- (a) a list of the names of all organisations that have submitted applications;
 - (b) whether or not the applicant qualifies in terms of the application criteria; and
 - (c) if an applicant does not meet such criteria, the reasons for not having to consider the application, in terms of the *Policy*, together with all the applications, separated into bundles according to the category of application, must be submitted to the Technical Task Team for further evaluation.
- 6.3.7 The Technical Task Team comprising of two (2) members from each of the Budget and Treasury, Office of the Chief Operating Officer, Corporate Services and Economic Development and Recreational Services Directorates, shall be responsible for screening the applications in accordance with the *Policy* criteria before they are submitted to the Financial Assistance to External Organisations Sub-committee.
- 6.3.8 The Financial Assistance to External Organisations Sub-committee shall comprise of the following members: Portfolio Councillors for Economic Development and Recreational Services, Environment and Health, Corporate Services and Budget & Treasury or their nominees; supported by officials from Budget and Treasury and Corporate Services Directorates, who are responsible for the processing of all awards allocated to organisations/bodies/institutions.

6.4 Approval of applications

- 6.4.1 All applications, together with supporting documentation, will be analysed and reported on in respect of good governance, legislative requirements and adherence to the *Policy* by the Chief Financial Officer of the *Municipality*.
- 6.4.2 The report, in respect of para 6.4.1, together with a recommendation in respect of which organisations/bodies/institutions should be awarded a grant, will be made to the Budget and Treasury Committee and the Executive Mayor for consideration and approval, respectively.

6.4.3 Discretion over which organisations/bodies/institutions will ultimately receive financial assistance resides with the Executive Mayor, in consultation with the Budget and Treasury Committee, and in line with *Council's* Delegation of Authority.

7. REPORTING BY BENEFICIARIES

7.1 All recipients of a cash amounts of R25 000 (twenty five thousand rand) or more will be required to submit a report on the spending of the funds awarded, failing which future requests for assistance will not be considered.

8. POLICY IMPLEMENTATION

8.1 This *Policy* will be implemented at the beginning of the new life cycle of the Grant in Aid Policy process, following its adoption by Council. It is, the revised adopted policy will be implemented at the time when a fresh call for applications is made.

8.2 The policy will be called 'Policy Governing Financial Assistance to External Organisations' and will replace the Grant-in-Aid Policy of the *Municipality* adopted in 2006.

9. POLICY MONITORING AND EVALUATION

9.1 It is incumbent upon those involved in the administration and management of the *Policy* to ensure adherence to the provisions of the *Policy*.

9.2 The *Municipality* will review and, if necessary, amend the *Policy* bi-annually, taking into account the comments and representations of political office bearers, municipal officials and the local community.

Appendix 1:
Application Form for Financial Assistance to External Organisations