



**POLICY ON THE  
ACCEPTANCE OF GRANTS, GIFTS,  
DONATIONS AND SPONSORSHIPS**

**2022/2023 FINANCIAL YEAR**



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## **1. Introduction**

The Midvaal Local Municipality (Midvaal) receives various forms of grants, gifts and donations.

These include:

1. Grant funding for capital projects, as per the Division of Revenue Act (DORA), e.g. MIG, Equitable Share and RBIG;
2. Grant funding to fund operational projects, as per the Division of Revenue Act (DORA), e.g. FMG and MSIG;
3. Sponsorships to fund mayoral projects, e.g. Mayoral Golf Day and various other municipal events and functions;
4. Any other sponsorships;
5. Any other ad hoc grants, gifts and/or donations.

These grants, gifts, donations and sponsorships need to be managed effectively and efficiently to ensure that the desired outcomes or prescribed outcomes in the case of conditional grants, are met.

In addition to grants, gifts, donations and sponsorships offered to the Midvaal Local Municipality, individuals (employees and councillors) are offered rewards, gifts and favours.

## **2. Relevant Legislation**

Apart from various other legislation, the focus is placed on the following relevant legislation:

1. Local Government: Municipal Finance Management Act, Act 56 of 2003 (the "Act");
2. Local Government: Municipal Finance Management Act, Act 56 of 2003, Municipal Cost Containment Regulations, 2019 (the "Regulations")
3. Policy on the Acceptance of Grants, Gifts, Donations and Sponsorships (the "Policy")
4. Midvaal Local Municipality: Supply Chain Management Policy, Sections 46, 47 and 48

### **3. Acceptance of grants, gifts, donations and sponsorships**

Midvaal Local Municipality should not simply accept all grants, gifts and donations offered to Council, but should consider all the implications of acceptance of the grants before doing so.

The Municipal Finance Management Act, Act 56 of 2003 and the Municipal Supply Chain Management Regulations, subject to the Supply Chain Management Regulation 47, do not prohibit sponsorships or donations (in money or kind) to the municipality as such, but prescribe that such action must be disclosed if it was promised, offered or granted by a provider or prospective provider of goods and services or a recipient or prospective recipient of goods disposed of or to be disposed of. In deciding whether to accept the abovementioned, due regard must be given to the Supply Chain Management Policy.

#### **3.1 Capital Grants**

Capital grants must be evaluated in terms of the Integrated Development Plan (IDP) priorities. Council will firstly implement projects to satisfy community need in terms of the IDP before other projects are implemented. However, capital projects not included in the IDP must be considered in terms of a comprehensive business plan that must contain the following pertinent information:

1. Description of project;
2. Link to existing projects and projects planned by other departments;
3. Staffing requirements – re-deployment of current employees (appointed staff, not vacant positions on the staff structure) or appointment of additional external employees (including both the number of employees and the designation/salary levels);
4. Impact on future operational budgets, including both income and expenditure – all expenditure items must be included, e.g. remuneration cost, operational overhead costs and municipal services;
5. Any additional information available, inter alia:
  - 5.1 What the impact on service delivery will be if the project is not implemented; and
  - 5.2 Comments on capacity to implement.

## **3.2 Operating Grants**

Operating grants should be considered on an ad hoc basis. All grants that aim to further the objectives of the Midvaal Local Municipality should be considered for acceptance.

The following broad principles should be applied when considering whether or not to accept a grant:

1. Grant funding should not result in recurring operating expenditure for Midvaal;
2. The conditions of the grant funding should not place any undue administrative burden on Council;
3. The Vision and Mission of Council should not be compromised in any way by accepting the grant;
4. The conditions of the grant funding should not compromise Council's authority and decision-making powers in any way; and
5. The Executive Mayor may use his/her discretion when being offered grants and acceptance thereof.

## **3.3 Donations and Sponsorships to Midvaal**

The acceptance of donations and sponsorships must at all time be done in such a manner that it maintains and promotes sound financial management, public accountability, transparency and good governance.

When donations and sponsorships are offered to the municipality, the following must be considered:

1. Whether the sponsorship or donation creates an expectation of further work, contracts, support to the organisation or person making the sponsorship or donation;
2. Whether the Municipal Finance Management Act Training Sponsorship comply with the MFMA Circular 9 in that the training providers must be validated by National Treasury. This applies only to training on MFMA and not any other training courses;
3. Whether the sponsorship or donation is within the ambit of the Supply Chain Management Regulations 47 and 48; and
4. Whether the sponsorship or donation infringes the ethical standards set in the Supply Chain Management Policy, Section 46.

5. Whether the donation or sponsorship may have financial, operational or reputational consequences to the municipality in the future, and where it is foreseen whether it is desirable to incur such consequences.
6. Whether the donation or sponsorship is desirable.

If it is found that the donation or sponsorship is offered or granted with the intention of being an inducement or reward for the awarding of any form of bid, or that it infringes on the ethical standards of the Supply Chain Management Policy, Regulation 46, the donation or sponsorship may not be accepted.

All donations or sponsorships offered or granted to Midvaal must be submitted to the Municipal Manager for approval. Excluding the Executive Mayor as stated in (2.2)(5) above, no person other than the Municipal Manager may authorise the acceptance of donations or sponsorships.

All relevant donations or sponsorships offered or granted to Midvaal must be declared to National Treasury in terms of Section 48 of the Supply Chain Management Regulations.

### **3.4 Donations and Sponsorships from the Municipality**

Midvaal should not provide donations or sponsorships to organizations for commercial endorsements to gain credibility from association with the municipality.

When donations or sponsorships are offered from the municipality, the following should be considered:

1. Donations or sponsorships arrangement in which organization pays for all or some of the cost associated with a project or an event in exchange for recognition in partnership with the municipality must
  - Directly relate to the municipality's outcomes;
  - Provide value for money;
  - Enhance the municipality's credibility and image;
  - Deliver clear and measurable benefits;
2. The municipality should not enter into marketing communication donation or sponsorship arrangements with an organization or institution whose project or event is likely to adversely affect the content or interpretation of the municipality's programmes, services or raise conflict of interest.

3. All donation and sponsorship agreements (even those that involve a minimum amount or non-monetary items) are required to be in writing, either as a letter, a formal contract or stakeholder agreement.
4. Donation or sponsorship agreements must clarify the roles, rights and responsibilities of both parties and protect the municipality from unwanted liabilities, and also include a clause that affords the municipality the right to terminate the arrangements when it is felt that the activities are incompatible with those of Midvaal. All signatories must have the required authority to sign such donation or sponsorship agreements.
5. All donation or sponsorship agreements must have a certain standard criteria, the terms and conditions must be precise and should at least address the following:
  1. Identify all parties to the sponsorship (including third parties);
  2. Specify the exact nature and value of the donation or sponsorship;
  3. Specify the payment terms, including how and when the payment will be made and to whom;
  4. Specify the length of the donation or sponsorship agreement, options or conditions for renewal;
  5. Describe what the money or items is to be used for as set out in the budget;
  6. Specify in detail both parties' rights and benefits set out any special conditions that may apply;
  7. Set out financial accountability requirements;
  8. Specify what must happen to any surplus funds;
  9. Specify warranties and details concerning liability, including limits to liability and who is responsible for public liability and insurance;
  10. Stipulate that the municipality is under no obligation to continue the relationship beyond the contract donation or sponsorship period;
  11. Specify who owns any intellectual property which might arise;
  12. Specify relations with any employees of the organization seeking donation or sponsorship opportunities;
  13. Consider methods to secure payment against the other party's failure to deliver;
  14. The municipality's corporate identity must be adhered to with respect to all creative materials developed in the promotion of any activities when co-branding occurs;

15. Donation or sponsorship agreements must include the municipality's right to review all marketing promotional materials and activities produced, including specific uses prior to release.
16. Indemnify the municipality against risk;

The sponsored organization must provide a close out report which set out financial accountability and conditions on the use of funds received.

### **3.5 Rewards, gifts, hospitalities or other benefits directly or indirectly offered to employees of Midvaal**

1. No employee may accept any reward, gift, favour, hospitality or other benefit directly or indirectly, including any close family member, partner or associate of the employee, of a value more than R350 annually from any provider or potential provider of goods/services;
2. Notwithstanding the above, the relevant employee must declare details of any reward, gift, favour, hospitality or other benefit promised, offered or granted to him/her or to any close family member, partner or associate of him/her;
3. Each Head of Department must maintain a Gift Register where rewards, gifts, favours, hospitality or other benefits that are offered and/or accepted by employees in his/her department are recorded; and
4. The abovementioned register must be available for inspection by the Municipal Manager and the Internal/External Auditors of Midvaal;
5. The following five questions must be considered, when giving or accepting a gift. If you can answer 'yes' to any of them, you should reconsider ...



**1.** Could the gift

potentially make the receiver feel obliged to act in my interest? This might happen if the gift is expensive.

**2.** Am I trying to buy

influence? In other words, am I hoping that the gift will encourage someone to do something specific that I want?

**3.** Could someone else

who hears about it reasonably think that I am trying to buy influence; is the receiver in a position to make a decision that affects me?

**4.** Is this something that

the receiver could easily return in their personal capacity? Again, the cost of the gift will be important here.

**5.** Is it prohibited by my

or the other party's organisational gift policy? This will be the case with most government departments, and with almost all cash "gifts".

Information Source: The Ethics Institute, Ethics Toolbox

### **3.6 Rewards, gifts, hospitalities or other benefits directly or indirectly offered to Councillors of Midvaal**

1. The same rules as per 2.4 above apply to Councillors mutatis mutandis.
2. The Gift Register contemplated in 2.4.3 above, shall be maintained by the Office of the Speaker.

### **3.7 Cost Containment Regulations, 2019: Sponsorships**

Apart from various other stipulations contained in the regulations, the following stipulations are specifically applicable on this policy:

1. An accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality or the municipal entity's budgets or by any suppliers or sponsors (Refer to Section 10(5) of the regulation).
2. A municipality or municipal entity may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model (Refer to Section 10(6) of the regulation).
3. Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time (Refer to Section 13(2) of the regulation).

## **4. Reporting to Council on Grant Funding for Capital and Operating Projects**

It is the responsibility of the end-user department receiving the grant to report to Council on the following matters upon receiving confirmation of the grant:

1. Description of the grant received;
2. Amount received;
3. Purpose of the grant;
4. Conditions of the grant;
5. Implementation plan; and
6. Expected outcomes.

Abovementioned will only be applicable to ad hoc grants received during the year and not capital projects budgeted for as part of the approved IDP Capital Investment Program.

After completion of the project/programme, the department will be required to report to Council on the following matters:

1. Date of receiving of physical cash payment;
2. Date of implementation;
3. Actions performed, program implemented;
4. Amount of actual expenditure incurred;
5. Report back on conditions of the grant that was met;
6. Final outcome of project/programme; and
7. How any unspent funds must be used, taking conditions of the grant into consideration.

## **5. Other reporting requirements**

Departments are responsible to adhere to all reporting requirements in terms of the conditions of the grant. Grants received from National and Provincial Government must be reported in terms of the conditions of the Division of Revenue Act.

The duties of the receiving officer (department receiving the grant) are detailed as follows in the Division of Revenue Act:

*“A municipality shall, within 10 days after the end of each month, submit a report to the relevant transferring National or Provincial Officer. The report must set out -*

- 1. The amount received by the municipality, up to the month reported on;*
- 2. The amount of funds delayed or withheld from the municipality, up to the month reported on;*
- 3. The actual expenditure by the municipality up to the month reported on;*
- 4. The extent of compliance with the conditions of an allocation and with the Act;*
- 5. An explanation for any material problems or variances experienced by the municipality, regarding an allocation which has been received, and a summary of the steps taken to deal with such problems or variances; and*
- 6. Such other issues and information as the National Treasury may determine.”*

If any variance is detected and it is not of a financial nature, the department in question should refer the problem to the appropriate interval Portfolio Committee Meeting for consideration. A summary of the steps taken to deal with such problems or variances should be reported to Council.

In the event of non-compliance with the rules and regulations as set out in the Division of Revenue Act, the applicable department should take the necessary action to rectify the fact that they are not complying.

The Chief Financial Officer must disclose to National and Provincial Treasury on an annual basis, all sponsorships promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:

1. A provider or prospective provider of goods or services; or
2. A recipient or prospective recipient of goods disposed or to be disposed of.

To enable the Chief Financial Officer to comply with 5.5 above, all Heads of Department must, by no later than 15 July annually, report to the Chief Financial Officer on all sponsorships promised, offered or granted, whether directly or through a representative or intermediary, by any person who is:

3. A provider or prospective provider of goods or services; or
4. A recipient or prospective recipient of goods disposed or to be disposed of.

## **6. General**

All grants, donations, sponsorships, etc. must be paid into the primary bank account of Midvaal Local Municipality.

## **7. Enforcement**

This policy will come into operation once approved by Council.