

**ITEM NUMBER: C 05/10/20**

***RECOMMENDATION FROM THE EXECUTIVE MAYOR: 25 AUGUST 2020***

**MC 30/08/20 CAPE TOWN STADIUM (RF) SOC LTD: RENEWAL OF THE CITY SUPPORT SERVICES AND STAFF SECONDMENT**

It is **RECOMMENDED** that:

- (a) the City continue to provide all the support services such as human resource support, legal services, brand management and communication, internal audit, risk management, accounting, financial management, budgeting support, including the utilization of the SAP systems and all other services previously provided to the Cape Town Stadium whilst it was a Department within the City of Cape Town, at no cost, which is regulated by a Service Delivery Agreement (SDA)
- (b) the grant funding continues to be used to fund the position of the Chief Financial Officer and the Company Secretary, as previously resolved by Council on 13 December 2018
- (c) the City Manager be authorised to second the relevant staff to the Cape Town Stadium municipal entity;
- (d) recommendation (a), (b) and (c) above be renewed for a further three (3) year period commencing on 1 February 2021;
- (e) the Chief Financial Officer be authorised to sign an addendum to the Service Delivery Agreement for the renewal of the support services to be provided by the City.

REPORT TO: COUNCIL

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1. ITEM NUMBER      **MC 30/08/20**

2. SUBJECT

**CAPE TOWN STADIUM (RF) SOC LTD: RENEWAL OF THE CITY SUPPORT SERVICES AND STAFF SECONDMENT**

**ONDERWERP**

**KAAPSTAD-STADION (RF) MIS BPK.: HERNUWING VAN DIE STAD SE STEUNDIENSTE EN PERSONEELSEKONDERING**

**ISIHLOKO**

**ISTEDIYAM SASEKAPA (RF) SOC LTD: UKUHLAZIYWA KWEENKONZO ZENKXASO NOKUCHONGWA KWABASEBENZI**

**LSUM0290**

3. DELEGATED AUTHORITY

Not delegated for decision by Council.

This report is FOR DECISION BY

**Committee name :**

The Executive Mayor together with the Mayoral Committee (MAYCO)

Council

4. DISCUSSION

On 29 March 2017 Council approved the establishment of a municipal entity to manage and operate the Cape Town Stadium. Council also resolved that the City continue to provide all the support services such as human resource support, internal audit, risk management, accounting, financial management and budgeting support for three

years, at no cost, which is regulated by a Service Delivery Agreement (SDA). In addition, Council also authorised the City Manager to second the relevant staff to the Municipal Entity for a 3-year period. The content of the report stated that “The underlying principle for the establishment of the municipal entity is that there will be no additional financial burden to the City.”

The Cape Town Stadium started operating as a municipal entity with effect from 1 February 2018. Clause 7.2 of the SDA states that “The City shall provide City Support Services for the initial period being a period of three (3) years from the Commencement date. Whether the City Support Services will continue after the initial three (3) year period will be renegotiated before the end of the three (3) year term”. The three (3) year term for both the city support services and the secondment of staff will be coming to an end on 31 January 2021.

The municipal entity has not yet achieved maturity in terms of financial sustainability as the entity is still in the process of implementing its commercialisation strategy. Although big milestones have been achieved over the last three (3) years in growing the entity to generate increased revenue streams and lessen the burden of the ratepayer, the entity is still reliant on the City to provide grant funding as well as the support services as mentioned above. The entity’s ability to generate revenue from the increased revenue streams is also impacted by the current COVID-19 pandemic.

In addition, on 13 December 2018 Council resolved that additional funding of R2,5 million per annum be made available to the entity, subject to annual escalations, for the appointment of a Chief Financial Officer and a company secretary. Council also resolved that the funding is only to be made available for the three (3) year period, ending 31 January 2021, during which the City Support Services are provided to the Cape Town Stadium. This was to ensure that the entity operates within its legislative framework. As the process of the maturity of this entity starts to unfold in terms of its financial sustainability, other capacities to reduce reliance on the City will be introduced to maximise efficiency and skill retention within the municipal entity.

In light of the above and taking into account the effects of the current COVID-19 pandemic, it is recommended that:

- the City continue to provide the support services to the municipal entity;
- the grant funding continues to be used to fund the CFO and company secretary positions; and
- the City Manager be authorised to renew the secondment of the staff to the municipal entity.

The above recommendations will be renewed for a further three (3) year period which will commence on 1 February 2021.

4.1. Financial Implications  None  Opex  Capex

Capex: New Projects

Capex: Existing projects requiring additional funding

Capex: Existing projects with no additional funding requirements

4.2. Policy and Strategy  Yes  No

4.3. Legislative Vetting  Yes  No

4.4. Legal Compliance

In terms of Section 81(4) of the Municipal Systems Act, “a service delivery agreement may be amended by agreement between the parties, except where an agreement has been concluded following a competitive bidding process, in which case an amendment can only be made after the local community has been given reasonable notice...”

The SDA does make provision for the potential renewal and renegotiation of the City support services at the end of the initial 3 years.

4.5. Staff Implications  Yes  No

The relevant staff will be seconded to the Municipal entity for a further 3 years. This process will be conducted in accordance with the relevant legislation.

4.6. Risk Implications  Yes  No

## 5. RECOMMENDATIONS

Not delegated: for decision by Council

It is recommended that:

- a) The City continue to provide all the support services such as human resource support, legal services, brand management and communication, internal audit, risk management, accounting, financial management, budgeting support, including the utilization of the SAP systems and all other services previously

provided to the Cape Town Stadium whilst it was a Department within the City of Cape Town, at no cost, which is regulated by a Service Delivery Agreement (SDA);

- b) The grant funding continues to be used to fund the position of the Chief Financial Officer and the Company Secretary, as previously resolved by Council on 13 December 2018;
- c) The City Manager be authorised to second the relevant staff to the Cape Town Stadium municipal entity;
- d) Recommendation a), b) and c) be renewed for a further three (3) year period commencing on 1 February 2021; and
- e) The Chief Financial Officer be authorised to sign an addendum to the Service Delivery Agreement for the renewal of the support services to be provided by the City.

## **AANBEVELINGS**

### Nie gedelegeer nie: vir besluitneming deur die Raad

Daar word aanbeveel dat:

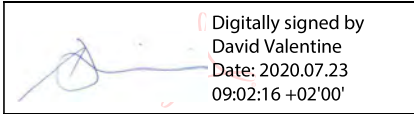
- a) Die Stad voortgaan om al die steundienste te verskaf, soos menslikehulpbronsteun, regsdiens, handelsmerkbestuur en kommunikasie, interne audit, risikobestuur, boekhouding, finansiële bestuur en begrotingsteun, insluitende die gebruik van die SAP-stelsels en alle ander dienste wat voorheen aan die Kaapstad-stadion gelewer is toe dit 'n departement binne die Stad Kaapstad was, gratis, wat deur 'n diensleweringsooreenkoms gereguleer word;
- b) Die toelaebefondsing steeds aangewend word om die pos van die hoof-finansiële beampte en die maatskappysekretaris te befonds, soos voorheen op 13 Desember 2018 deur die Raad besluit;
- c) Die stadsbestuurder gemagtig word om die betrokke personeel na die munisipale entiteit van die Kaapstad-stadion te sekondeer;
- d) Aanbeveling a), b) en c) vir 'n verdere termyn van drie (3) jaar vanaf 1 Februarie 2021 hernu word; en
- e) Die hoof- finansiële beampte gemagtig word om 'n addendum tot die diensleweringsooreenkoms te onderteken vir die hernuwing van die steundienste wat deur die Stad verskaf sal word.

**IZINDULULO**Azigunyaziswanga: isiqqibo seseBhunga

Kundululwe ukuba:

- a) ISixeko masiqhubeke nokubonelela ngeenkonzozo zenkxaso ezifana nenkxaso kwimicimbi yezabasebenzi, iinkonzozo zomthetho, ulawulo lophawu lwequmrhu nezonxibelelwano, uphicotho lwangaphakathi, ulawulo lomngcipheko, ucwangciso-mali, ulawulo lwezimali nenkxaso kuhlalo-lwabiwo-mali, kuquka ukusetyenziswa kweenkqubo zeSAP kunye nazo zonke ezinye iinkonzozo ebezikade zibonelelwa kwiStediyam saseKapa ngexesha besiliSebe leSixeko saseKapa, ngaphandle kweendleko, ezimiselwe siSivumelwano soNikezelo ngeenkonzozo (SDA);
- b) Isibonelelo senkxaso-mali masiqhubeke sisetyenziswa ukuxhasa isikhundla seGosa eliyiNtloko kwezeziMali noNobhala weNkampani, ngokwesiqqibo sangaphambili seBhunga sangowe-13 kweyoMnga 2018;
- c) UMphathi weSixeko makanikwe igunya lokuba achonge abasebenzi abafanelekileyo abazakusebenza kweli qumrhu likamasipala lisiStediyam saseKapa;
- d) Izindululo a), b) no-c) mazihlaziyelwe isithuba seminye iminyaka emithathu (3) ukususela ngowo-1 kweyoMdumba 2021; kwakhona
- e) IGosa eliyiNtloko kwezeziMali malinikwe igunya lokutyikitya isongezelelo kwiSivumelwano soNikezelo ngeenkonzozo sokuhlaziywa kweenkonzozo zenkxaso ezibonelelwa iSixeko.

**FOR FURTHER DETAILS CONTACT**

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DIRECTORATE	FILE REF NO		
SIGNATURE : DIRECTOR	 <p>Digitally signed by David Valentine Date: 2020.07.23 09:02:16 +02'00'</p>		

**CHIEF FINANCIAL OFFICER**

NAME \_\_\_\_\_

COMMENT: \_\_\_\_\_

DATE \_\_\_\_\_

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**LEGAL COMPLIANCE**

- REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.
- NON-COMPLIANT

NAME \_\_\_\_\_


COMMENT: \_\_\_\_\_

DATE \_\_\_\_\_

Certified as legally compliant based on the contents of the report.

SIGNATURE

Joan-Mari  
Holt

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