

TO ALL COUNCILLORS AND DIRECTORS OF THE BREDE VALLEY MUNICIPALITY

NOTICE IS HEREBY GIVEN that a **COUNCIL MEETING** of the Brede Valley Municipality will be held on **MONDAY, 25 AUGUST 2025** at **09:00** to consider the matters listed in the following Addendum Agenda.



ALDERMAN F. J. VAN ZYL
THE SPEAKER

22 AUGUST 2025

ADDENDUM AGENDA



BREDE VALLEY
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**7.6 APPROVAL OF LONG TERM CONTRACT IN COMPLAINE WITH
SECTION 33 OF THE MFMA – PROVISION OF BANKING SERVICES FOR
THE PERIOD NOT EXCEEDING 5 YEARS.**

File No./s: 5/2/5/3

Responsible Official: HB Volschenk

Directorate: Financial Services

Portfolio: Financial Planning

1. PURPOSE

The purpose of the report is to:

- a) Present to Council the outcome of the process undertaken in terms of Section 33 of the Municipal Finance Management Act (MFMA), as required to enter into a long-term contract for the appointment of a service provider for the banking services.
- b) Obtain Council consent to enter into a long-term contract for the provision of banking services for a period not exceeding five (5) years.

2. BACKGROUND

In terms of Section 7 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003, a municipality is required to open and maintain at least one bank account in its name, designated as the municipality's primary bank account. Furthermore, Section 33 of the MFMA provides the framework and conditions under which a municipality may lawfully enter into long-term contracts.

Banking services are a critical component of effective municipal financial management. These services ensure the efficient execution of key functions, including revenue collection, salary and wage payments, settlement of creditors, and overall cash flow management.

The current banking services contract is scheduled to expire on 30 September 2025, making the appointment of a new service provider both necessary and urgent to ensure uninterrupted banking operations and continued compliance with the MFMA.

3. DISCUSSION

The proposed long-term contract with Nedbank Limited seeks to ensure full compliance with national legislation and municipal financial regulations. The agreement will provide for the efficient and secure management of municipal funds, covering key functions such as revenue collections, disbursements, salary payments, and third-party payments.

The contract further aims to enable seamless integration with municipal financial systems, thereby strengthening reporting, cash management, and reconciliation processes. In addition, it will promote cost-effectiveness and value for money through a competitive bidding process, while enhancing service delivery through innovative digital and financial solutions offered by the banking sector.

However, prior to entering into the contract, Section 33 of the MFMA must be adhered to. This section stipulates that, at least 60 days before the Council meeting at which the contract is to be consent to, the Municipality must:

- *Make public the draft contract and information statement summarising the municipality's obligation in terms of the contract.*
- *Invite the local community and other interested persons to submit their comments in respect of the contract.*
- *Solicit the views and recommendations of the National treasury, Provincial treasury, Department responsible for local government and the responsible national government.*

The current long-term contract for the provision of banking services (BV955/2022) was initially scheduled conclude on 30 June 2025. In preparation for the expiry of this agreement, Council has initiated a new procurement process in terms of Section 33 of the MFMA to establish a new five-year contract for banking services.

Given the complexity and timeframes required for the Section 33 process, including tender preparation, public advertising, bid evaluation, negotiations, and final Council consideration, the new contract could not be concluded before the expiry date of 30 June 2025 of the existing agreement.

To ensure continuity of essential municipal banking services, Council executed an intention to amend the existing agreement in terms of Section 116(3) of the MFMA. This amendment extended the contract term by three (3) months, until 30 September 2025, providing sufficient time to finalise the new procurement process.

The new tender Bid BV1108/2024 for the Provision of Banking Services for a period not exceeding five (5) years was advertised on the municipal website, notice boards and e-tender portal. Following the evaluation process, the final award notification was issued to Nedbank Limited dated 29 April 2025, subject to the conditions of the tender and on the basis that Council consent to the Section 33 process.

A longer-term (5-year) banking services contract is proposed for the following reasons:

- **Continuity and Stability:** A 5-year contract allows for consistent service delivery and financial stability. Transitioning banking systems is complex and disruptive; less frequent transitions reduce administrative overhead and operational risks.
- **Cost Efficiency:** Longer contracts often offer more favourable pricing, reduced annual administrative and procurement costs, and the ability to negotiate better service terms over time.
- **Investment in Technology and Integration:** Banks are more likely to invest in integrated and customized digital platforms for municipalities if there is contract certainty over a longer period.
- **Alignment with Strategic Plans:** A 5-year period aligns better with the municipality's Medium-Term Revenue and Expenditure Framework (MTREF) and Integrated Development Plan (IDP) timeframes. Compliance and Oversight: A longer-term agreement allows for improved compliance monitoring, performance benchmarking, and a more structured service level agreement (SLA) environment.

4. PUBLIC PARTICIPATION, SOLICITED VIEWS, AND RECOMMENDATIONS:

- A notice in terms of Section 33 was published on the Municipal website and notice boards on the 5 May 2025, inviting the local community or interested persons/parties to submit written comments or representations regarding the proposed draft contract (Refer to Annexure B).

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- The Municipality also requested views and recommendations from the following relevant government departments (Refer to Annexure C):
 1. National Treasury
 2. Western Cape Provincial Treasury
 3. Department of cooperative governance and traditional affairs

4.1 COMMENTS RECEIVED FROM THE PUBLIC

By the closing date of the advertisement (6 June 2025), no comments were received from the public (See attached proof of the advertisement/notice under Annexure B).

4.2 COMMENTS RECEIVED FROM GOVERNMENT DEPARTMENTS

Views and recommendations received (Refer to Annexure C):

1. **National Treasury** – Submitted comments after the due date of 21 days (refer to annexure D). The comments were noted and addressed in the table below.
2. **Department of Cooperative Governance and Traditional Affairs** – No comments received.
3. **Western Cape Provincial Treasury** – No comments received.

Table 1:

National Treasury Comment	Municipality Comment
The Municipality must make public the draft contract. There is no information in the public notice regarding where the public can access the draft contract, as required to be published in terms of section 33 of the MFMA.	Due to the sensitivity and confidentiality of the information contained in the contract, the municipality indicated in the advertisement that any technical enquiries should be directed to Mrs. B. Volschenk, whose contact details were provided. This arrangement allows the public to access the contract by submitting a request for the draft contract via email (refer to Annexure B).
The Municipality must make public an	Take note of comment. The municipality

information statement summarising the municipality's obligations in terms of the proposed contract. There is no information on the financial obligations of the municipality in relation to the proposed draft contract in the public notice	indicated in the advertisement that any technical enquiries should be directed to Mrs. B. Volschenk, whose contact details were provided. This arrangement allows the public to access the information statement by submitting a request via email (refer to Annexure B).
The municipality provided copies of the tender documents submitted by the preferred bidder instead of the draft contract as required to be published in terms of section 33 of the MFMA. The municipality re-submitted the same documents following our request for the submission of the draft contract.	The municipality submitted, and subsequently re-submitted, the draft contract to NT upon their second request. For purposes of the submission, the tender document is regarded as the draft contract. This clarification was communicated to NT during the re-submission of the draft contract
The municipality is reminded of the requirements of section 8(5) of the MFMA, requiring municipalities to submit the details of the primary bank account details. The municipality should submit details of the primary bank account details, including any supporting information as outlined in MFMA Circular 61, which can be accessed using the link: https://mfma.treasury.gov.za/Circulars .	Take note of comment. This requirement was already adhered to. (refer to Annexure E)

5. APPLICABLE LEGISLATION

Requirement	Legislative Source	Notes
Banking provider must be a registered bank	Banks Act & MFMA s7	Municipality must open account in its own name
Competitive procurement of banking services	MFMA s112 & SCM Regulations	Required via competitive bidding process
Approval for contracts with future budget implications (e.g. 5-year term)	MFMA s33	Requires public consultation & Council resolution
Compliance with own SCM Policy	MFMA s112 & SCM Regs	Must define how banking services are procured
Reporting and transparency	MFMA & Municipal Systems Act	For long-term contracts and community engagement

6. FINANCIAL IMPLICATIONS

The bidder will be paid for banking services rendered in accordance with the pricing submitted in the awarded tender. The Bidder will be paid the banking cost related to service rendered in the 2025/2026 approved budget and the outer 2 years of the MTREF. The funding and payments will be funded through the Operational Budget. Since the tender is multi-year, the unit rates for the required service associated with the outer years escalated in accordance with the CPIX.

The table below outlines the banking cost for each financial year for the period of five years with at the applicable escalation percentage as in accordance with CPI:

Table 2:

Fin year	Banking cost	CPI increase
2025/2026	2 139 700.00	
2026/2027	2 238 200.00	4.60%
2027/2028	2 294 200.00	2.50%
2028/2029	2 374 500.00	3.50%
2029/2030	2 464 730.00	3.80%

The financial obligations arising from this contract have been fully assessed and incorporated into the Municipality's long-term financial planning. Entering into a long term will not impact municipal tariffs including rates, fees, or charges over the proposed five-year term.

Any future tariff adjustments during the contract period will be driven solely by external inflationary factors, specifically increases linked to the Consumer Price Index excluding mortgage interest (CPIX), and not by the contract itself. The contract terms are fixed and contain no provisions that would trigger additional costs affecting ratepayers or service users.

7. ECONOMIC & FINANCIAL BENEFITS FROM THE CONTRACT

The awarding of the long-term banking services contract from 1 September 2025 to 30 June 2030 offers the municipality several significant economic and financial benefits, aligned with the principles of cost-effectiveness, service efficiency, and long-term financial sustainability, as outlined in the Municipal Finance Management Act (MFMA).

The contract provides a fixed or clearly defined fee structure over a 5-year term, which improves budgeting accuracy and financial planning within the Medium-Term Revenue and Expenditure Framework (MTREF). Annual CPI-linked or capped increases (as per the tendered terms) offer protection from excessive or unexpected cost escalations.

The competitive bidding process has resulted in preferential banking fees, offering cost savings compared to previous contract pricing. Lower service and transaction costs over time reduce the financial burden on the municipality's operating budget. The appointed service provider will implement modernised cash management systems that improve liquidity management, optimise fund utilisation, and support timely investment of surplus funds.

A long-term arrangement allows for deeper integration of banking systems with the municipality's financial management system (e.g. mSCOA compliance).

This promotes stability, institutional knowledge, and a more responsive service from the banking provider. The selected service provider will offer enhanced financial governance and reporting tools, assisting the municipality to comply with MFMA reporting obligations and reducing audit risks.

8. COMMENTS OF DIRECTORS AND LEGAL SERVICES

- **Municipal Manager:** Item Supported
- **Director Engineering Services:** Item noted
- **Director Planning Development and Integrated Services:** Item noted

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- **Chief Financial Officer:** Item Supported
 - **Director Community Services:** Item noted
 - **Director Strategic Support Services:** Item Supported
 - **Senior Manager Legal Services:** Item Supported

9. ANNEXURES

Annexure A: BV 1108/2024 award letter

Annexure B: Public participation process

Annexure C: letters requesting feedback from NT, PT and COGTA

Annexure D: Feedback received from NT

Annexure E: Proof of submission of draft contract to NT

Annexure F: Proof of adherence to the requirement of section 8(5) of the MFMA

RECOMMENDATION:

That in respect of –

APPROVAL OF LONG TERM CONTRACT IN COMPLAINE WITH SECTION 33 OF THE MFMA - PROVISION OF BANKING SERVICES FOR THE FOR THE PERIOD NOT EXCEEDING FIVE (5) YEARS

as discussed by the Council at the Council Meeting held on 25 August 2025:

- a) That council take note of the outcome of the process undertaken in terms Section 33 of Municipal Finance Management Act.
- b) That council determines that the municipality will secure a significant financial and economic, benefit from the contract.
- c) That council approve the entire contract exactly as it is to be executed with Nedbank Limited for bid BV 1108/2024: Provision of banking services for the period not exceeding five (5) years.
- d) That council authorises the municipal manager to sign the contract on behalf of the municipality.