

SOL PLAATJE LOCAL MUNICIPALITY



MATERIALITY AND SIGNIFICANCE FRAMEWORK

APPROVED ON THE 31 OF MAY 2018

RESOLUTION NUMBER C38/05/18

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1. Background

The municipality has to maintain an agreed framework of acceptable levels of materiality in order to promote effective and efficient decision making. The framework deals with materiality in terms of financial reporting, as well as significance in the context of decision making.

The framework sets out the general approach Council will take to determining the significance of proposals and decisions relating to issues, assets or other matters; and provides clarity about how and when communities can expect to be engaged in decisions about different matters depending on the degree of significance the council and its communities attach to those matters. It also determines the relevant thresholds for reporting on specific matters in the annual financial statements of the municipality.

The Local Government Act 2002 (the Act) sets out the framework for Council's consultation and decision-making processes. Significance is a key concept in this framework. The term significance as used in the Act, is defined in Section 5 of the Act.

A decision about issues, assets and other matters is significant if it will mean a material departure from existing policy. A difference or variation is material if it could, itself or in combination with other differences, influence the decisions or assessments of those reading or responding to the document.

2. Objective

All decisions Council makes must be made in accordance with the decision-making requirements of the Local Government Act 2002 (set out in sections 76AA-81). Council must also ensure that the community gets every opportunity to engage with the decision making process particularly in cases where the decision being made is significant and may be a material departure from existing policy.

Council must make a judgement about how to comply with the Act in a way:

- that reflects the significance or materiality of the matter under consideration; and
- enhances the community's ability to engage.

This policy explains Council's approach to determining the significance or materiality of a decision and lists the thresholds, criteria and procedures that Council and its community will use in the assessment.

In addition to this, the framework describes the materiality considerations for financial reporting and decisionmaking.

3. Materiality

In arriving at materiality the following factors must be taken into account:

- Guidelines issued by the National Treasury;
- The nature of the municipality's operations
- The inherent and control risks associated with the municipality
- Quantitative and qualitative issues.

4. Review

The materiality framework must be reviewed annually and included in the Strategic Plan and Budget for the ensuing financial year.

Any changes to the framework must be approved by the Council

Once approved by the Council, the Materiality Framework will be amended for the applicable financial year.

5. Procedure for Annual Review

The Chief Financial Officer (CFO) will be responsible for conducting an annual review and making a recommendation to the Council regarding the Materiality Framework.

The CFO must take the following factors into account:

- Guidelines issued by the National Treasury;
- The nature of the municipality's operations;
- Statutory requirements affecting the municipality;
- The inherent and control risks associated with the municipality; and
- Quantitative and qualitative issues.

The CFO has to submit his/her recommendation to the Council via the normal channels, in the following order, taking the dates of the relevant meetings into account and taking into account that a decision to recommend a specific framework, is required by May annually, with a view to submitting the revised framework to the Council with the Budget and Strategic Plan of the municipality:

- The Executive Management Team (EMT)
- The Finance Committee
- The Council

6. Recording of the Approved Framework

The IDP manager is responsible for ensuring that the Materiality framework is included in the Strategic Plan and Budget for the ensuing financial year.

The CFO should ensure that Sol Plaatje Municipality's Annual Report reports on the framework and any matters of Materiality.

The CFO is the custodian of this policy, procedures and framework.

7. Materiality in terms of financial reporting

The Council has taken into account the above mentioned factors in determining Sol Plaatje's level of materiality: Having taken these factors into account, the Council has assessed the level of materiality to be:

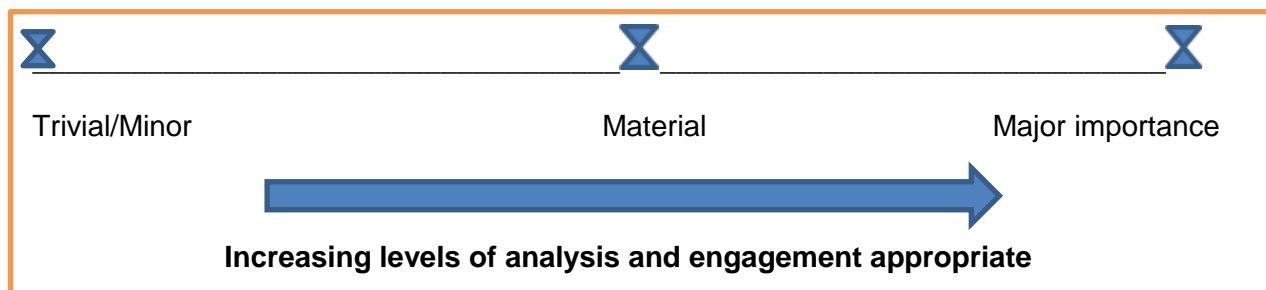
- Every amount in respect of criminal conduct;
- R10,000 and above for irregular, fruitless and wasteful expenditure involving gross negligence; and
- R100, 000 and above for any other irregular, fruitless and wasteful expenditure.
- It is further decided that any transaction in excess of R1 million will be considered material for financial reporting purposes.

8. Significance in terms of decision-making

The type of decisions a Council and its community must make can range from those that are trivial in nature to those that are of major importance. The Council must decide where in the range of trivial to very important a decision sits and what level of analysis and engagement is appropriate every time a decision is made.

The significance (materiality) range has a threshold at which point decisions are deemed to be 'significant'. If an issue requiring decision is determined to be 'significant' the Council will:

- Undertake community engagement responding to community preferences for engagement and clearly identifying why, how and when the community can expect to be engaged with using the Special Consultative Procedure (see Section 83 of the Act).
- Ensure that every decision complies with the decision-making requirements set out in Sections 76AA - 81 of the Act).



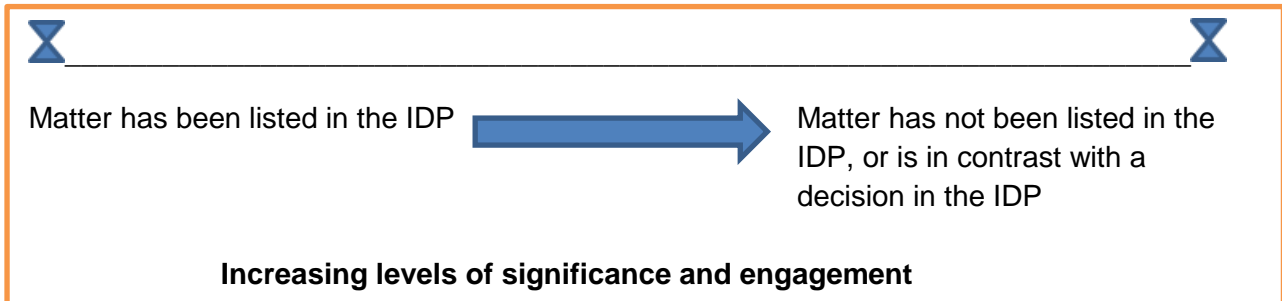
8.1 Determining Significance

A significant decision is one that has a high degree of significance in terms of its impact on:

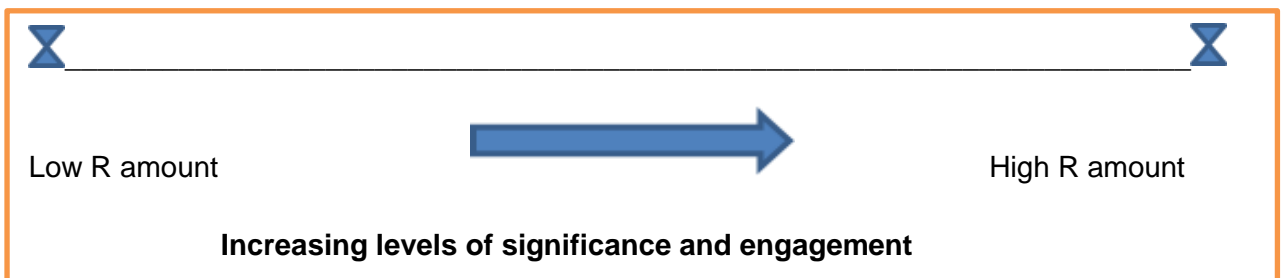
- The wellbeing of the Sol Plaatje municipality
- Persons likely to be affected by or with an interest in that decision; and/or
- the costs to or the capacity of the Sol Plaatje municipality to provide for the wellbeing of the city

When considering the significance of a proposal, decision or other matter, the Council will use the following threshold and criteria:

- The extent to which the matter flows logically and consequently from a significant decision already made from a decision in the Integrated Development Plan of the Annual Plan



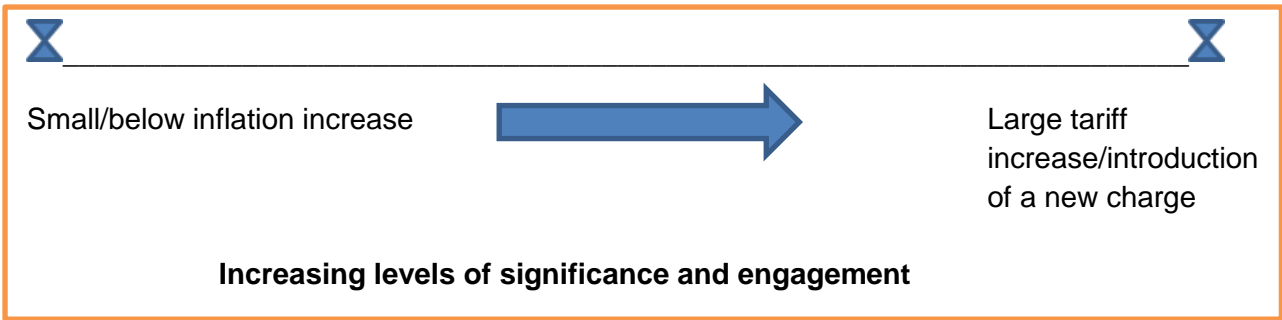
- The extent of the matter in terms of its net cost to the Council. Where a decision has not been highlighted in the IDP or Annual Plan, a decision involving a change in spending more than 10 % of the planned capital expenditure or 5% of the planned operating expenditure for operating decisions will be considered significant.



- The transfer of ownership or control, or the disposal or abandonment of a strategic asset as a whole as defined by the LGA or listed in section 5 of this framework will be considered to be significant. The degree to which transfer of ownership or control, or the disposal or abandonment of a part of a Strategic Asset undermines the integrity/functioning of the asset as a whole or restricts the networking utility of the asset will also be considered.



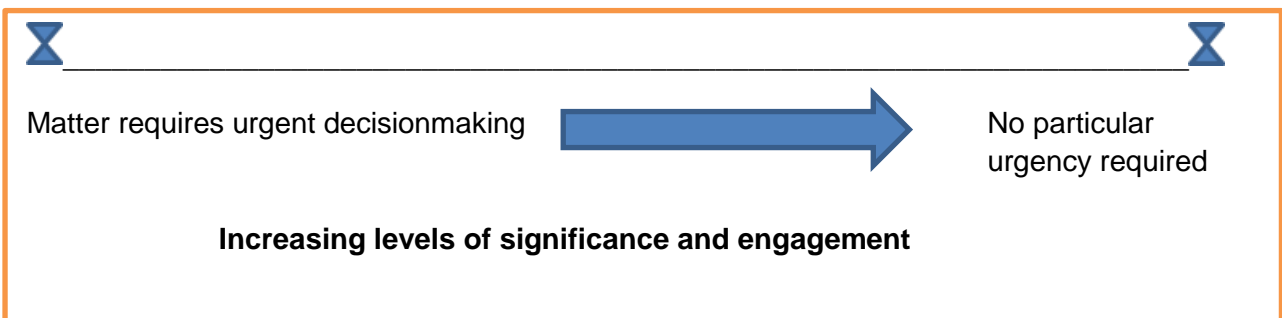
- The matter includes consideration of an increase in tariffs or the introduction of a tariff/service charge where a service has previously been provided free of charge.



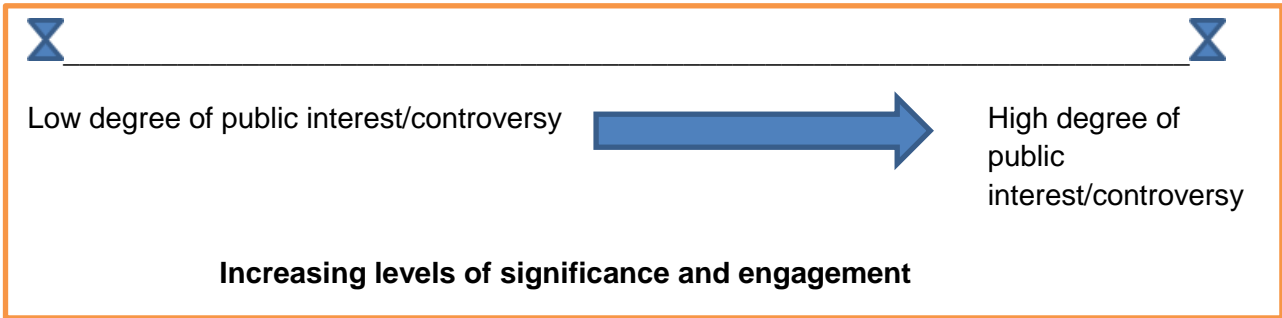
- Reversibility and intergenerational equity. The more irreversible the effects of a decision, the more significance it has – particularly where the decision involves the unsustainable use of resources and so reduces the right of future residents to inherit the same diversity of natural and societal resources enjoyed by current residents. This includes the cumulative effect of previous decisions and their impact on irreversibility and intergenerational equity.



- Practicality: The Council should consider the circumstances under which a decision is taken and what opportunity there is to consider a range of points and alternatives. In circumstances in which failure to make a decision urgently will result in the loss of opportunities which are assessed as able to contribute to achieving the community outcomes, the Council will take its decision making processes to allow as much evaluation and engagement as is practicable while working within the required timeline.



- The extent to which the matter is of public interest or controversial within the community



9. Engagement

Community engagement is much broader than consultation, although consultation is encompassed within it. Community engagement includes the full range of community participation in decision making – from being provided with information only right through to relate to the extent that decision making powers (and implementation) are devolved to the community, or conversely, held with the council.

At a high level, there are five main types of community engagements that the Sol Plaatje municipality undertakes. These are summarised below. Although each type of community engagement has its place in Council, this strategy does not prescribe the type of community engagement that must be implemented in specific circumstances. The range of the Municipality's activities and decision is too varies for such an approach. However, the section on decision making does outline some of the high level factors which are considered by the Council when considering what type of community engagement is suitable for a specific proposal or issue.

Information – Supports all types of community engagement and keeps people informed about such things as decisions, services and local events.

Consultation – Can be used when there is a decision to make about something or when there are a number of choices about the details. Most of the proposals at Sol Plaatje involve consultation.

Deciding together – Local people are involved in deciding which option to choose, but it is Sol Plaatje that will act on the decision.

Acting together – Decisions and implementation are made in partnerships between local people or agencies and the Sol Plaatje municipality. In this scenario the community is actively involved in the development of a specific project.

Supporting community initiatives – Independent groups are empowered to develop and carry out their own plans. Council's role is primarily supportive of facilitative.

10. Decision Making

Sol Plaatje municipality is involved in a wide range of activities - from setting policies, developing and enforcing local regulations and promoting tourism right through to the delivery of services and infrastructure like libraries and roads. In most of these activities. The kinds of decisions range from setting longer-term strategy to minor operational matters.

In general terms, these decisions usually involve the first three types of community engagement - information, consultation and deciding together. In many cases. The same decision or issue may involve different types of community engagement at different steps in the decision-making process.

It is important that the community and Sol Plaatje municipality have a common understanding of the decision-making process and how Sol Plaatje Municipality decides when and how much to engage the community.

11. Strategic Assets

The Act defines a Strategic Asset as:

"An asset or group of assets that the local authority needs to retain if the local authority is to maintain the local authority's capacity to achieve or promote any outcome that the local authority determines to be important to the current or future wellbeing of the community; and includes-

(a) any asset or group of assets listed in accordance with section 76AA (3) by the local Authority

(a) any asset or group of assets listed in accordance with section 76AA (3) by the local authority; and

(b) any land or building owned by the local authority and required to maintain the local authority's capacity to provide affordable housing as part of its social policy; and

(c) any equity securities held by the local authority in-

(i) a port company within the meaning of the Port Companies Act 1988:

(ii) an airport company within the meaning of the Airport Authorities Act 1966"

In accordance with section 76AA (3) of the Local Government Act 2002 Sol Plaatje Municipality considers the following assets to be strategic:

- Road Network
- Wastewater Network and Treatment
- Stormwater Network
- Water Supply Network
- Electricity Distribution Network
- Landfills
- Network of parks and reserves
- Library Network