

19 July 2023

To: Mr Lulamile Mapholoba
Municipal Manager
Per email: Lulamile.Mapholoba@msunduzi.gov.za
Per email: madeleine.jackson@msunduzi.gov.za

From: MARRC

CC: Mr M. Sithole
Ministerial Representative
Per email: martin.sithole@webmail.co.za

Mrs Nelisiwe Ngcobo
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Khanyisile Shoba, Senior Manager: Revenue
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Nonhlanhla Mkhize
PA to Municipal Manager
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Councillor Magubane
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Jan Hattingh
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Adele Howard
Senior Manager
AGSA
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Dear Sir,

OBJECTION TO THE AWARDING OF R27 MILLION TO ROYAL AM FOOTBAL CLUB

It is with dismay and concern that we learn that the Msunduzi Council is to approve the sponsorship of R9 million per annum over three years to Royal AM Football Club at the Council meeting today at 14h00, 19 July 2023.

We would like the Council to note that in terms of Section 152 (2) of the Constitution of the RSA, Act No. 108 of 1996: Objective of Local Government which states that:

"(2) A Municipality must strive, within its financial and administrative capacity to achieve the objects set out in sub section (1).

It is not sustainable for the city to continue with this type of sponsorship and yet the Council will go ahead regardless. The Full Council meeting today Wednesday, 19 July 2023 is unable to justify such an unreasonable action that will be prejudicial and negligence to its obligations and fiduciary responsibilities whilst being under Section 139 1 (b) Provincial Intervention of the Constitution of the Republic of South Africa, Act No. 108 of 1996: Objective of Local Government".

The Ministerial Representative and the Council members who are going to support this decision today, will fail in their responsibility, and should be held accountable for a reckless decision. Please refer to page 129, PART THIRTEEN of the National Treasury Guide to Finance Management for Councillors, 2006 under the heading: **Forbidden activities and financial misconduct**, councillors should be aware of matters that constitute an offence under the MFMA or other legislation.

Any attempt to sponsor a new football club will be a slap in the face to ratepayers and there will be no option to take the necessary remedies to have those responsible for this approval surcharged for a reckless decision. This would include the Councillors that endorse this decision, ministerial representative, and the accounting officer.

MARRC is totally opposed to such a proposal and calls on the Council not to support the funding of Royal FM Football Club with ratepayers' money.

Under the current dire financial situation prevailing in the Msunduzi Municipality, despite being under administration for some years, a decision to fund the club and spend R9 million that could better be put to good use in repairing the multitude of water leaks, electrical substations, potholes, upgrading infrastructure, fixing the SAP system, is considered extremely irresponsible. The delivery of basic services is the core mandate of the municipality, and such issues should be handled as extremely urgent and given priority.

In the light of the above we further request the following information:

1. Does Royal AM Football Club need this sponsorship based on its financial standing? Did they submit their financial statements? If financial statements were provided, please may you make the financial statements public.

Ethekweni Municipality had approved a three-year contract with the Royal AM Football Club. Was due diligence done? Has the contract ended or does the Council just continue to pull the wool over the eyes of ratepayers of Pietermaritzburg?

2. Is the city satisfied with the club's administrative structure and has the city had an independent audit to determine the feasibility study and has COGTA approved the funding since the municipality is under administration?
3. Were any risks identified in assessing the funding of this club?
4. How can the Council approve this sponsorship when the owner of Royal AM Football Club, Ms. Shauwn Mkhize Mpisane is still under a dark cloud as her assets are frozen by SARS and being red flagged by the Morana reports on fruitless and wasteful expenditure of building poor quality RDP houses in the Ethekweni municipality.
5. Is there a football and Sport Marketing expert in the municipality that has given a legal binding recommendation?
6. The report to the Msunduzi municipal Council dated 22 June 2023 cites legislative provisions/policies notably Section 67 of the Municipal Finance Management Act No 56 of 2003 as the basis for taking the decision on providing sponsorship to the club.

This section only refers to "Funds transferred to organisations and bodies outside government". This does not provide justification for sponsorship of the club.

The Public Finance Management Act only speaks of sponsorship for the municipality and not for private businesses.

Section 21.1 of the Treasury regulations for departments, constitutional institutions, and public entities. Issued in terms of the Public Finance Management Act, 1999 of April 2001 refers to gifts, donations, and sponsorships:

Granting of gifts, donations, and sponsorships by the state

[Section 76(1)(l) of the PFMA]

21.1.1 The accounting officer may approve gifts, donations and sponsorships of state money and other movable property in the interest of the state. When such cash amounts exceed R100 000, the approval of the relevant legislature must be sought by including the item separately in the estimates of expenditure.

Did the municipal manager as the accounting officer seek approval from the relevant legislature for the sponsorship of R27million to Royal AM Football Club? If so, please may you furnish us with such approval.

7. How can the Msunduzi Council approve the sponsorship of a private business whose owner is a multi-millionaire?
8. What is scientific evidence given from the Maritzburg United deal to show that indeed there was revenue and opportunities created in the city (statistics and AG evidence must be provided)?
9. Is the Msunduzi Council aware of the following issues affecting Royal AM Football Club?

Reputation the club is bringing to the City with its bad reputation of treatment of its players and currently lost 2 court cases of millions for not Paying players like Nurkovic and Ndumiso Mabena respectively:

- [FIFA has imposed a transfer ban on Royal AM as they owe R12 million to one of their footballers.](#)

<https://www.sn124.com/kickoff/sanews/premiership/royal-am/fresh-twist-in-nurkovic-saga-royal-am-transfer-ban-still-on-20230714>

- [AM transfer saga has left players confused and uncertain about their future](#)
- [Royal AM boss, Shauwn Mkize responds to allegations of failing to pay players.](#)

10. How can the Msunduzi Council sponsor a very young club that was established in 2020?

11. Does the Msunduzi municipality have a policy on sponsorships?

12. Why wasn't there any public participation done with all stakeholders as per the Municipal Systems Act?

The Council needs to ensure that the City makes prudent financial decisions, such as not to fund non-essential items such as the football club or be held accountable for dereliction of duty.

MARRC, as representatives of residents and ratepayers, strongly objects to Council's consent for the allocation of municipal funding for Royal AM Football Club and urges Council to prioritize more urgent expenditure items to ensure service delivery to residents of Msunduzi who pay for such services.

If the Council goes ahead to approve this funding, then we have no option to take legal action against this irresponsible decision.

We look forward to a comprehensive response to the above questions and request a response within seven (7) working days.

We would appreciate your acknowledgement and response in compliance with Chapter 2, Section 5(1) (b) and Chapter 4, Section 17(2) (a) of the Municipal Systems Act.

Yours faithfully



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