

**T41-2024: PROVISION OF PREMISES TO LEASE FOR CALEDON FIRE STATION FOR A  
PERIOD ENDING 30 JUNE 2032  
FINANCIAL IMPACT STATEMENT**

**1. OBJECTIVE**

Overberg District Municipality has made public the provision of premises to lease for Caledon fire station for a period ending 30 June 2032.

Because the appointment period will span over more than three (3) years, and the actual term be six (6) years, the Municipality has to comply with Section 33 of the Municipal Finance Management Act, Act no 56 of 2003 (MFMA).

The objective of this Financial Impact Statement is to quantify the financial implications on Overberg District Municipality over the full duration of the Service Level Agreement.

**2. ASSUMPTIONS**

The following assumptions have been made to inform the financial calculations and any deviations from these assumptions may influence the financial implications.

- The lease term for a 6-year period.
- The annual rental escalation linked to CPI (from year 3).
- Renewal option (to continue with the lease after the expiry date)
- Building maintenance and repairs will be dealt with on an ad hoc basis by the Parties to the Service Level Agreement and is therefore excluded from the financial calculations.
- Building Insurance

**3. FINANCIAL IMPLICATIONS**

The provision of premises to lease for Caledon fire station for a period ending 30 June 2032 and span over a period of six (6) financial years.

The table below also indicates the estimated expense, based on the assumptions above, for each of the 6 years.

#### Financial Year Estimated annual rental cost

Financial Year		Annual Cost
<b>Fixed tendered amounts</b>		
Year 1	2026/2027	R 752 559.60
Year 2	2027/2028	R 816 527.16
Year 3	2028/2029	R 885 934.18
<b>Projected based on 6% increase (Escalation to be linked to CPI rate)</b>		
Year 4	2029/2030	R 939 090.23
Year 5	2030/2031	R 995 435.64
Year 6	2031/2032	R 1 055 161.64
<b>Estimated Total over 6 years.</b>		<b>R 5 444 708.59</b>

#### 4. CONCLUSION

Based on the assumptions outlined and the estimated rental costs, the proposed **provision of premises to lease for the Caledon Fire Station until 30 June 2032** will have a **total estimated financial implication of R5 444 708.59** for the Overberg District Municipality over the six-year lease period.

The expenditure will be incurred across six financial years and is subject to **annual rental escalations linked to CPI**, which may result in adjustments to the estimated amounts over time. Costs relating to **building maintenance, repairs, and insurance** have been excluded from the current calculations and may result in additional financial obligations depending on future requirements and agreements between the parties.

The Municipality will therefore need to **make adequate provision for these rental commitments in its Medium-Term Revenue and Expenditure Framework (MTREF) budgets** for the duration of the lease period. In compliance with **Section 33 of the Municipal Finance Management Act (Act 56 of 2003)**, the long-term financial commitment must be properly considered, budgeted for, and approved through the relevant municipal processes.

Overall, the lease arrangement provides the Municipality with continued access to premises for the **Caledon Fire Station**, while committing the Municipality to a long-term financial obligation that must be managed within its future budget planning and financial sustainability framework.