

MUNICIPAL COST CONTAINMENT REGULATION REALITY

CIGFARO CONFERENCE

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1 Introduction

What is Local Government?

- Sphere of government closest to the people;
- Comprised of elected representatives and officials;
- Entrusted the responsibility to render services to the people;
- Informed by unlimited needs of the society;
- Limited resource at our disposal;
- Need to draw priorities;
- Sparing resources **“Render services Efficiently, Effectively and Economically”**

2 Object of Regulations

- The object of these Regulations, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Municipal Finance Management Act 56 of 2003 (MFMA), is to ensure that resources of a municipality and municipal entity are used **effectively, efficiently and economically** by implementing cost containment measures.

3 Application of Regulations

- These Regulations **apply to all officials and political office bearers** in municipalities and municipal entities.

4 Cost Containment Policies

- Each municipality or municipal entity must **develop** or **revise** and **implement** a cost containment policy which must -
 - (a) be adopted by the municipal council, and in the case of a municipal entity, by the board of directors as part of its budget related policies;
 - (b) be consistent with the Act and these Regulations.
 - (c) be in writing;
 - (d) give effect to these Regulations;
 - (e) be reviewed annually, as may be appropriate;
 - (f) be communicated on the municipality's or municipal entity's website; and
 - (g) set out -
 - (i) monitoring measures for ensuring implementation of the policy;
 - (ii) procedures for the annual review of the policy; and
 - (iii) **consequences** for non-adherence to the measures contained therein.

5 Use of Consultants (Appointment)

- (1) A municipality or municipal entity **may only** appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does **not have the requisite skills or resources** in its full-time employ to perform the function.

E.g. The Compilation of the AFS

- *s126 (1) (a) Accounting Officer must prepare the AFS... and submit to AGSA*
- *s81 (1) (e) of MFMA “CFO of a municipality must perform such budgeting, accounting, analysis, **financial reporting**, cash management, debt management, SCM, financial management, reviews and other duties....”.*

- (2) An accounting officer must adopt a **fair and reasonable remuneration framework** for consultants taking into account the rates -
- (a) determined in the "Guideline on fees for audits undertaken on behalf of the AGSA", issued by the SAICA;
 - (b) set out in the "Guide on Hourly Fee Rates for Consultants", issued by DPSA; or
 - (c) as prescribed by the body regulating the profession of the consultant.

Use of Consultants cont..

(Appointment)

- (3) The **tender documentation** for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub - regulation (2).
- (4) When negotiating cost - effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market – determined rates.
- (5) When **consultants are appointed**, an accounting officer must -
 - (a) appoint consultants on a time and cost basis with specific start and end dates;
 - (b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;
 - (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
 - (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
 - (e) develop consultancy reduction plans to reduce the reliance on consultants.

Use of Consultants cont.. (Management)

- (6) All contracts with consultants must include a **fee retention or penalty clause** for poor performance.
- (7) A municipality or municipal entity must ensure that the **specifications and performance are used as a monitoring tool** for the work to be undertaken and are appropriately recorded and monitored.
- (8) The **travel and subsistence costs of consultants** must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
- (9) The **contract price must specify all travel and subsistence costs** and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

6 Vehicles used for political office-bearers (Procurement)

- (1) The threshold limit for vehicle purchases relating to official use by political office bearers **must not exceed R700 000** or **70%** (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, **whichever is lower.**
- (2) The procurement of vehicles above must be undertaken using the **national government transversal contract mechanism**, unless it may be procured at a lower cost through other procurement mechanisms.
- (3) Before deciding to procure a vehicle as contemplated in sub-regulation (2), the accounting officer or delegated official must provide the council with information relating to **the following criteria which must be considered:**
 - (a) status of current vehicles; (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in sub -regulation (1); (c) extent of service delivery backlogs; (d) terrain for effective usage of the vehicle; and (e) any other policy of council.

Vehicles used for political office-bearers cont.. (Replacement)

- (4) If the rental referred to in sub-regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- (5) Regardless of their usage, vehicles for official use by political office bearers **may only be replaced after completion of 120 000 kilometers.**
- (6) Notwithstanding sub-regulation (5), a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where **the vehicle has a serious mechanical problem** and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- (7) An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

7 Travel and Subsistence (Air travels)

- (1) An accounting officer -
 - (a) may approve the purchase of **economy class tickets** for all officials or political office bearers where the flying time for the flights is **five hours or less**; and
 - (b) may only approve the purchase of **business class tickets** for officials, political office bearers and persons reporting directly to the accounting officer for **flights exceeding five hours**.
- (2) In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.
- (3) Notwithstanding sub-regulation (1) or (2), an accounting officer, or the mayor in the case of an accounting officer, **may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition**.

Travel and Subsistence cont.. (Limits)

- (4) The **cost containment policy must limit international travel** to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.
- (5) An accounting officer, or the mayor in the case of the accounting officer, **may approve accommodation costs** that exceed an amount as determined from time to time by the National Treasury through a notice only :-
- (a) during peak holiday periods; or
 - (b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.

Travel and Subsistence cont.. (Transport)

- (6) An official or a political office bearer of a municipality or municipal entity **must** -
- (a) **utilise the municipal fleet**, where viable, before incurring costs to hire vehicles;
 - (b) make use of available **public transport or a shuttle service** if the cost of such a service is lower than -
 - (i) the cost of hiring a vehicle;
 - (ii) the cost of kilometres claimable by the official or political office bearer; and
 - (iii) the cost of parking.
 - (c) not hire vehicles from a category higher than Group B or an equivalent class; and
 - (d) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.
- (7) A municipality or a municipal entity **must utilise the negotiated rates for flights and accommodation** as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

8 Domestic Accommodation

- (1) An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.
- (2) Overnight accommodation may only be booked where the return trip exceeds 500 kilometers.

9 Credit cards

- (1) An accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality or a municipal entity is issued to any official or political office bearer, including members of the board of directors of municipal entities.
- (2) Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality or municipal entity, and request reimbursement in accordance with the written approved policy and processes.

10 Sponsorships, events and catering

- (1) A municipality or municipal entity may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality or municipal entity, unless the prior written approval of the accounting officer is obtained.
- (2) An accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- (3) Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- (4) A municipality or municipal entity may not incur expenses on alcoholic beverages unless the municipality or the municipal entity recovers the cost from the sale of such beverages.
- (5) An accounting officer must ensure that social events, team building exercises, year – end functions, sporting events and budget vote dinners are not financed from the municipality or the municipal entity's budgets or by any suppliers or sponsors.
- (6) A municipality or municipal entity may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, **other than** uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.

11 Communications

- (1) A municipality or municipal entity may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- (2) An accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality or municipal entity.
- (3) Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- (4) A municipality or municipal entity may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

12 Conferences, meetings and study tours

- (1) An accounting officer **must establish policies and procedures** to manage applications to attend conferences or events hosted by professional bodies or non – governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.
- (2) When considering applications from officials or political office bearers to attend **conferences or events within and outside the borders of South Africa**, accounting officer or mayor as the case may be, must take the following into account -
 - (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
 - (b) whether the conference or event addresses relevant concerns of the institution;
 - (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
 - (d) the availability of funds to meet expenses related to the conference or event.
- (3) An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

Conferences, meetings and study tours cont..

- (4) The benchmark costs referred to in sub-regulation (3) may not exceed an amount as determined from time to time by the National Treasury through a notice.
- (5) The amount referred to in sub-regulation (4) excludes costs related to travel, accommodation and related expenses, but includes -
 - (a) conference or event registration expenses; and
 - (b) any other expense incurred in relation to the conference or event.
- (6) When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- (7) The accounting officer of a municipality or municipal entity must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.

Conferences, meetings and study tours cont..

- (8) Municipal or provincial office facilities must be utilized for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- (9) An accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in sub – regulation (2).
- (10) A municipality or municipal entity must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

13 Other related expenditure items cont..

- (1) All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- (2) Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- (3) Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- (4) A municipality or municipal entity must avoid expenditure on elaborate and expensive office furniture.

Other related expenditure items cont..

- (5) A municipality or municipal entity **may only use** the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- (6) A municipality or municipal entity may consider providing additional time – off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- (7) A municipality or municipal entity must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

14 Enforcement Procedures

Failure to implement or comply with these Regulations may result in any official of the municipality or municipal entity, political office bearer or director of the board that authorised or incurred any expenditure contrary to these regulations being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.



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