

# MFMA CIRCULAR 82: COST CONTAINMENT MEASURES, OUTCOME 9 DELIVERABLES AND FMG

## CFO FORUM: NON-DELEGATED MUNICIPALITIES

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**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Background

- s62 of the MFMA requires the AO take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically
- In terms of the legal framework, municipal councils and accounting officers should institute appropriate measures to ensure that the limited resources and public funds are appropriately utilised to achieve value for money
- On 23 October 2013, Cabinet resolved that cost containment measures must be implemented to eliminate wasteful expenditure
- Cost containment measures re-emphasised during the 2016 State of the Nation Address and reinforced during the Minister of Finance's budget speech on 24 February 2016
- SALGA supported the call for cost containment measures per Budget Council Engagements
- On 30 March 2016, NT issued MFMA Circular 82 to guide municipalities and entities on cost containment measures for implementation

# Enforcement of Cost Containment Measures

- MFMA Circular 82 is accompanied by an Annexure A which sets out cost containment measures to curtail costs and non-essential expenditure
- Municipalities requested to make clear and quantified commitments on cost containment measures when tabling 2016/17 municipal budgets:

- **Municipalities to confirm status**

- Municipalities should therefore identify and implement cost containment measures to ensure that the resources of the municipality are used effectively, efficiently and economically as required by the MFMA
- Failure to fulfil the duties as set out in section 62 of the MFMA may result in the AO committing an act of financial misconduct

- Cost containment measures implemented by municipalities should be disclosed in the municipal budgets and the annual reports
- To ensure oversight, regular reports of cost containment measures implemented should be submitted to MPAC for review and recommendations to council

# Cost Containment Measures

## Engagement of Consultants

- Gap analysis should be conducted to confirm that the municipality does not have the requisite skills
- The circular provides guidance on consultants' remuneration and S&T
- Municipalities should include penalty and retention clauses poor performance in the contracts
- Municipalities should develop consultancy reduction plans

## Travel and subsistence

- NT has negotiated improved upfront discounts for flights as well as discounted accommodation rates which can be used by municipalities and entities unless lower rates can be negotiated by municipalities (Rates applicable from 01 April 2016)
- Government Travel Policy applicable as of 1 April 2016
- Air Travel: NT has negotiated discounted rates for government with SAA and BA for domestic air travel, therefore quotes should also be obtained from SAA and BA before issue
  - ✓ NT entered into short-term Corporate Agreement from 1 April 2016 to 30 September 2016 with the carriers
  - ✓ Bookings should be made in line with MFMA Circular 82

# Cost Containment Measures

- Domestic Hotel Accommodation: NT has entered into a non-exclusive MOU with Premier Group, Protea Hotels, City Lodge and Tsogo Sun for a 6 months period (1 April to 30 September 2016) (**Refer to Rates set for Domestic Hotel Accommodation table**)
  - ✓ Travel agents must obtain quotes from each of the four hotels, however not limited to the above hotels
  - ✓ Overnight accommodation to be provided if distance exceeds 500 kilometres return
- Vehicle Hire: Consider using own fleet where viable or shuttle services if the cost is lower than hiring of vehicle
  - ✓ Vehicles of a category below Group B or an equivalent class.

## Credit Card

- A bank, or any other institution, may not issue credit cards or debit cards linked to a municipality or entity's bank account to any councillors, entity board members, municipal or entity officials or any other person
- Petrol cards or garage cards should be issued in accordance with an appropriate municipal policy
- Arrangements can be made with service providers that expenditure be settled directly by the municipality

# Cost Containment Measures



## Catering

- Catering expenses to be incurred for meetings where only municipal officials attend if the meetings lasts for more than 5 hours
- Entertainment allowances of qualifying officials should not exceed R2 000) per person, per financial year
- The circular also addresses issues related to team building and social functions, alcoholic beverages, farewell functions



## Events, advertising and sponsorships

- Events, advertising in magazines, television, newspapers should be eliminated
- Printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors
- The circular also covers memorabilia, gifts and other novelties

# Cost Containment Measures

- MFMA Circular 82 also covers conferences, meetings, study tours, office furnishing, staff study, perks and suspension costs, transversal contracts, security measures, election campaigns, printing, staff telephones, purchasing of magazines and newspaper, etc.

# Resolutions

- Municipalities should ensure that MFMA Circular 82 is tabled in council (if not already done)
- Municipalities should be innovative and identify other cost containment measures to be implemented
- Municipalities should review other finance related policies to ensure consistency with the Circular
- Oversight mechanisms and processes to monitor the implementation of cost containment measures should be established
- Municipalities to confirm status and submit response to email below with copy of Council Resolution
- All queries should be directed to [MFMA@treasury.gov.za](mailto:MFMA@treasury.gov.za)



# Outcome 9 Deliverables

- The MTSF approved by Cabinet sets out the targets to be achieved by 2019
- Chapter 9 of MTSF deals with “responsive, accountable, effective and efficient developmental local government system”
- Sub-outcome 4 of outcome 9 is related to sound financial management and include addressing:
  - Unauthorised, Irregular, Fruitless and Wasteful expenditure incurred by municipalities monitored and actions taken to rectify such expenditure in terms of section 32(2) of the MFMA and to address the root causes thereof
  - Municipalities that received disclaimers for 3 years or more prioritised
  - Municipalities have and apply clear tender rules, adhere to the rules, monitored and compliance enforced
  - Municipalities develop and implement action plans to address gaps as identified by “FMCMM and Financial Indicator assessments 2015”, monitor progress on improvements to financial management maturity and capability

## Outcome 9 Deliverables

- On a quarterly basis progress to be provided to Cabinet on progress in addressing areas related outcome 9
- Municipalities are expected to provide progress areas related to sub-outcome 4 sound financial management to the Treasuries on a quarterly basis

# METROS - 2016/17 MTEF FMG ALLOCATIONS- DIVISION OF REVENUE BILL 2016 (DoRB)

Province	Allocation		
	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)
Buffalo City	1 300	1 300	1 000
Nelson Mandela Bay	1 050	1 050	1 000
Mangaung	3 310	3 645	3 345
Ekurhuleni	1 050	1 050	1 000
City of Johannesburg	1 050	1 050	1 000
City of Tshwane	2 875	2 650	2 400
Ethekwini	1 050	1 050	1 000
City of Cape Town	1 050	1 050	1 000

## SECONDARY CITIES - 2016/17 MTEF FMG ALLOCATIONS - DIVISION OF REVENUE BILL 2016 (DoRB)

Province	Allocation		
	2016/17 (R'000)	2017/18 (R'000)	2018/19 (R'000)
OR Tambo	1 710	2 045	2 300
Msunduzi	1 625	1 700	1 700
Umhlathuze	2 537	2 650	2 650
Polokwane	2 619	2 979	3 234
Mbombela	3 250	3 400	3 656
Rustenburg	1 625	1 700	1 700
Mafikeng	1 810	2 145	2 400
George	1 475	1 550	1 550

# FMG FRAMEWORK AND NEW DORA PROVISIONS

Please refer to Section 38 of the DoRB for transitional measures for the municipal elections in 2016.

## Revisions to FMG Framework

- Address shortcomings identified in the Financial Management Capability Maturity Model (FMCMM) Assessment Report
  - 2016/17 FMG support plans not submitted to NT.
  - Assist with implementation of mSCOA
- OR Tambo
  - Msunduzi
  - Mbombela – Draft FMG Support Plan
  - Rustenburg
  - Mafikeng

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# Resolutions

- Municipalities to develop action plans to address the outcomes of the FMCMM assessment;
- Provide on a quarterly basis progress reports to NT in implementing the FMCMM action plan – first report due 30 June 2016;
- Municipalities amalgamating to note high risk area of concerns and the impact it might have on the new municipality;
- FMCMM action plans will be monitored to establish if municipalities are taking corrective actions.
- Municipalities to take note that the FMG can be used to assist in addressing short comings identified in the FMCMM action plan. (submit revised FMG support plans, where applicable)

- *Thank You*
- *Dankie*
- *Enkosi*
- *Tukomua*