

# Cost Containment

## NON-DELEGATED MUNICIPAL CFO FORUM

TV Pillay: MFMA Implementation – 30 March 2017



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Cost Containment

- 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 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;
- Cabinet resolved that cost containment measures must be implemented;
- The call for cost containment was re-emphasised during the 2016 State of the Nation Address, Budget Speech and MTBPS;
- SALGA supported the call for cost containment measures during Budget Council/Forum engagements;
- On 30 March 2016, NT issued MFMA Circular 82 (updated November 2016) on cost containment measures in support of implementation;
- Since then implementation has been mixed and hence the call for Regulations.

# Cost Containment measures

- MFMA Circular 82 addresses the following:
  - Use of Consultants – including penalty clauses for non performance
  - Local and International Travel and Conferences
  - Domestic and International Accommodation
  - Vehicle Hire
  - Credit Cards
  - Catering
  - Events, Advertising and Sponsorships
  - Meetings and Study Tours
  - Office Furniture
  - Staff Study, Perks and Suspension costs
  - Use of National Treasury Transversal Contracts
  - Security measures, election campaigns, printing, staff telephones, purchasing of magazines and newspaper, etc.
  - Additional considerations include vehicles for public office bearers and staff overtime.

# Cost Containment Regulations

- Objective of the regulations is to eliminate spending on non-priority items not directly aligned to service delivery;
- Councils to commit to measures in terms of the 2017/18 MTREF policies and budgets;
- Cost containment measures implemented by municipalities should be disclosed in the municipal budgets, in-year and annual reports;
- To ensure oversight and enforcement, regular reports of cost containment measures be submitted to MPAC for review and recommendations to Council;
- Failure to implement may result in financial misconduct measures;
- Regulations would be formally published for public comment

# Resolutions

- Meeting to note:
  - the measures discussed and drafting of cost containment regulations;
  - oversight mechanisms to monitor the implementation of cost containment measures to support enforcement thereof;
  - all comments and queries to be submitted to [MFMA@treasury.gov.za](mailto:MFMA@treasury.gov.za)

# MFMA AND MSA ALIGNMENT PROCESS

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# BACKGROUND

- Process was undertaken to identify possible root causes and strategies to address municipal performance failures;
- Urgent need to clarify and address roles and responsibilities of national and provincial departments with relation to LG matters - one of the main external root causes impacting on ineffective implementation of the MFMA and MSA;
- National Treasury in collaboration with Department of Cooperative Governance have concluded a MOU to clarify the roles and responsibilities of national and provincial departments and other stakeholders as a necessary pre-condition for legislative and operational changes to address LG performance failures;
- The presentation discusses the proposals to assist in streamlining and aligning the roles and responsibilities of treasuries and cooperative governance in national and provincial departments in performing oversight, monitoring, reporting, supporting and regulating in the respective areas.

# Memorandum of Understanding

- In order to address the current performance failures and to clarify the roles and responsibilities of national and provincial departments over municipalities, a MoU has been developed, signed by the Directors-General of the NT and DCOG;
- The purpose of the MoU is to clarify which department will take lead in providing direction and support to municipalities in terms of various pieces of legislation, but focusing specifically on financial management and governance related matters at this time;
- The MoU has therefore been drafted on an understanding that the National Treasury, together with the Provincial Treasuries, will take lead on all financial management related responsibilities as outlined in the MFMA and its supporting regulations incorporating aspects of the MSA – which require further alignment;
- Similarly, the national DCoG, together with the provincial DCoG depts, will take lead on all governance related matters as outlined in the MSA and MStr after incorporating changes – which require further alignment.

# Principles on which MoU is based

- It records and outlines the institutional and administrative arrangements within both departments with regard to municipalities;
- It outlines agreed roles and responsibilities of both departments in implementing and managing LG legislation;
- Strengthening the relationship by consistently communicating same to provincial structures and other stakeholders;
- To support the changes needed to institutions in order to give effect to the MoU;
- To give effect to the framework of cooperative governance as outlined in chapter 3 of the Constitution of RSA;

# Principles continued.....

- To promote the coordination of intervention activities, to prevent duplication and ensure optimal utilization of resources;
- Improve intergovernmental relations that offers a coordinated value adding support and assistance to municipalities;
- To promote and consider practical implementation of support and assistance to municipalities; and
- To institute processes and measures to amend the legislation, where appropriate, to give effect to the objectives and principles as outlined above.

# Alignment of legislation to give effect to principles in MoU

- In order to give legal effect to principles in MoU, a process has commenced to bring alignment between the MFMA and MSA which will result in amendments to both pieces of legislation;
- Alignment focus primarily on shifting all financial management functions in the MSA to the MFMA. These functions include, amongst others, all functions, duties, roles and responsibilities regarding auditing and audits, credit and debt collection, indigent policies, tariff setting, etc. Discussions between the national departments continue to give practical effect to these in the interim and over the transition;
- NT will establish a reference group chaired by the Chief Director: MFMA Implementation, to assist in this regard;
- The formal legislative process will follow thereafter and which is anticipated to be undertaken in 2017/18.

# Resolutions

- The meeting to note:
  - the principles contained in the MoU;
  - the proposed alignment/amendments between MFMA and MSA;
  - the proposed legislative processes associated with the alignment process;
  - the discussions and submit names of officials for consideration to serve on the reference group;
  - all comments and inputs to be submitted to the MFMA helpdesk at [mfma@treasury.gov.za](mailto:mfma@treasury.gov.za)

THANK  
YOU