



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

ANNEXURE A

COST CONTAINMENT REGULATIONS MADE IN TERMS OF LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

Cost containment measures include:

- Principles around appointment of consultants to perform municipal functions and assessment to be undertaken by municipalities and municipal entities before appointing consultants;
- Procurement of mayoral vehicles. The regulations introduce a ceiling in terms of the value of the vehicles to be procured and principles in terms of management of such vehicle by the municipalities and municipal entities. This is aligned to the notices issued in terms of the Public Office Bearers Act by Minister of Cooperative Governance and Traditional Affairs. This regulation does not obligate the use of public or alternative modes of transport for political office bearers, but rather to ensure that expenditure in this regard is reasonable and balanced against the service delivery needs and priorities of the municipality or municipal entity.
- Travel and subsistence allowance. This provides the thresholds for purchasing air tickets, limitations on international travel, and hiring of vehicles. Economy class tickets is the norm, except for flights over 5 hours, and for exceptional cases. Accommodation costs are also pegged to the rates determined by Treasury, with exceptions. Municipal or entity officials or political office bearers must utilise as a first option use municipal fleet vehicles, where viable, before incurring costs of hired vehicles. As an alternative measure, the officials or political office bearers must make use of available public transport or shuttle service, if the costs of such a service is lower than cost of hiring vehicles, kilometer claimable, and cost of parking. The intention was to allow for factors to be considered when deciding on the appropriate mode of transport, namely, costs, safety and security, availability, reliability, etc. Hence, the decision is not automatic but dependent upon the outcome of consideration of these factor. The intention with this specific measure is to ensure that institutions actually realise the discounts which have been negotiated at National Government level. These thresholds will contribute towards institutions achieving cost savings on their travel and accommodation budgets;
- Prohibition on issuance of credit or debit cards linked to municipal bank accounts to officials or public office bearers, or board of directors of municipal entities. This means that such officials must use their personal credit cards or cash or arrangements made



by the municipality or entity and request reimbursements in terms of the municipal policy.

- Restrictions on using municipal funds for specific functions which include, amongst others, spending on catering for internal meetings only attended by officials, and social, farewell or team building activities. This section also prohibits the utilisation of municipal funds on alcoholic beverages, unless the costs are recovered, Entertainment allowances of qualifying officials may not exceed R2000 per person per financial year. There are also limitations placed on funding of social events and functions from municipal funds. The accounting officer may provide prior approvals in certain limited circumstances.
- The Regulations encourage the use of transversal contracts concluded by National Treasury before approaching the markets, to benefit from lower prices or rates.
- The Regulations also make provision for institutions to procure vehicles, communication tools and mechanisms via the transversal contract negotiated at National Government level. The municipal policy must also ensure that allowances to officials for private calls and data costs are limited to an amount determined by the accounting officer in the cost containment policy of the municipality or municipal entity. This will ensure that benefits can be passed to municipalities on all such items.
- The accounting officer must establish policies and procedures to manage attendance at conferences and events within and outside the borders of South Africa. Approvals for such attendances must be obtained from the Accounting Officer and in the case of political office bearers, the Mayor.
- There are other general limitations, relating to the reduction and excessive spending on office furniture and equipment, use of municipal funds for electioneering, brochures, tools of trade beyond what is already allowed, security measures, unplanned overtime. Municipal and municipal entities are also encouraged to ensure that proper processes are followed when dismissing and suspending officials, this is to minimise unnecessary legal costs. Institutions are also encouraged to manage their expenditure on leave and overtime benefits; and
- The Regulations provide for municipalities to conduct periodic threat assessments before approving any costs on security measures for political office bearers or officials.

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