

CIRCULAR 10 / 2019

FROM : CHIEF EXECUTIVE OFFICER

**TO : SALGA PROVINCIAL CHAIRPERSONS
EXECUTIVE MAYORS / MAYORS
SPEAKERS
MUNICIPAL MANAGERS**

CC : PROVINCIAL DIRECTORS OF OPERATIONS

DATE : 27 JUNE 2019

MUNICIPAL COST CONTAINMENT REGULATIONS, 2019

Recently on 7 June 2019, the Minister of Finance, promulgated the Municipal Cost Containment Regulations, as an attempt to “ensure that resources of a municipality and municipal entity are used effectively, efficiently and economically by implementing cost containment measures”. The Regulations purport to apply to all **municipal officials** and **political office bearers** in municipalities and will come into effect as from **1 July 2019**, coinciding with the start of the new financial year for municipalities.

Deliberations by the National Executive Committee (SALGA NEC) at its meeting on 13 June 2019, re-affirmed its longstanding view that SALGA is in support of any initiative which seeks to introduce efficiencies and contain costs within municipalities, as already initiated and implemented by a number of municipalities through structured municipal policies. Whilst appreciating the noble and necessary intended purpose of the Cost Containment Regulations, the SALGA NEC, however, raised procedural and substantive concerns with the regulations.

Particular concerns relate to whether all procedural aspects, as outlined and prescribed in the Municipal Finance Management Act (MFMA), have been complied with by the Minister of Finance prior to the promulgation of the Regulations, these include:-

- Securing concurrency from the Minister of COGTA;
- Meaningful consultation on the substance of the regulations with all relevant stakeholders, including organized local government;
- Obtaining public comments on the draft regulations in the Government Gazette for public comments; and
- Subjecting the draft regulation to parliament for scrutiny before their promulgation.

A further (substantive) concern is that the regulations are not in line with the MFMA itself and are in direct contravention of other related legislation, particularly as it relates to the remuneration of public office bearers (Councillors). In light of both the procedural and substantive concerns with the Regulations, the SALGA NEC resolved to:

1. **MANDATE** the SALGA Presidency to seek an urgent audience with both the Ministers of Finance and COGTA with a view to stay the execution of the Regulations pending resolution of the SALGA concerns; and
2. **APPROVED** that a public statement be issued and a media briefing be held to communicate the position of SALGA on the matter.

Informed by these concerns, the SALGA Presidency, as mandated by the SALGA NEC, has engaged with both the Ministers of Finance and Cooperative Governance and Traditional Affairs respectively, with a view to find an amicable solution to the concerns. Following the respective engagements the SALGA NEC wishes to confirm progress as follows:-

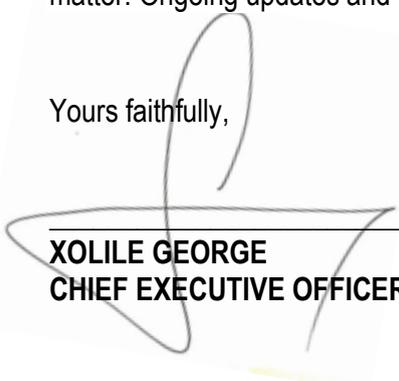
1. **ENGAGEMENTS WITH MINISTER OF COGTA:** Following a meeting with the Minister of COGTA, Hon. Dlamini Zuma on Friday, 14 June 2019, it was agreed to place the Municipal Cost Containment Regulations as an item for discussion at the COGTA MinMEC. The COGTA MinMEC, which was duly convened on 19 June 2019, discussed the Regulations and resolved that the implementation of the Municipal Cost Containment Regulations should be stayed until the concerns of all parties (COGTA, SALGA and MECs for COGTA) have been addressed; and
2. **ENGAGEMENT WITH MINISTER OF FINANCE:** Following a brief interaction with the Minister of Finance, Hon. Mboweni on Friday, 14 June 2019, it was agreed to convene a formal meeting on the sidelines of the State of the Nation Address. This meeting was duly held on 20 June 2019. A key outcome of the said meeting was that urgent engagements with all stakeholders should be convened to allow for the tabling and consideration of specific concerns, with a view that these deliberations should be resolved prior to the effective date of the Regulation (1 July 2019). The first of these meetings were already held, at technical level, on Monday 24 June 2019.

Within the context of the aforementioned engagements SALGA has now formally raised its specific concerns on both the procedural and substantive aspects of the Municipal Cost Containment Regulations. It is anticipated that Treasury will consider the SALGA concerns and respond accordingly. Whilst awaiting the formal response from Treasury the following agreements have been reached:-

1. Implementation of the Regulations must be through the Cost Containment Policies, as adopted by the Councils of Municipalities. In other words municipalities who **already** have related policies are required to duly amend their policies to be in line with the regulations and table these for adoption by the Municipal Council for implementation. Municipalities who **DO NOT** have related policies are required to develop such policies, in line with the regulations, and table these for adoption by the Municipal Council for implementation.
2. Consideration would be given to providing support to municipalities in the development of their cost containment related policies.
3. Consideration would be given to issuing a clarification Circular to municipalities to assist with interpretation challenges that may beset the Regulations. This clarification Circular would also lay the foundation for audit interpretations pertaining to the Cost Containment Regulations.

SALGA has confidence that the agreements as reached above will lay the foundation for an amicable solution to the matter. Ongoing updates and progress will be provided to municipalities, as and when it occurs.

Yours faithfully,



XOLILE GEORGE
CHIEF EXECUTIVE OFFICER