

LEPHALALE

LOCAL Municipality



CONSULTANT REDUCTION STRATEGY 2024/2025

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1. OBJECTIVE

The objective of this plan is to reduce the dependence on consultants.

2. LEGISLATIVE FRAMEWORK

- The following Acts and prescripts are central in defining the influence:
- Local Government: Municipal Structures Act, 1998 (Act of 117 of 1998)
- Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
- Local Government: Municipal Finance Management Act, 2003 (Act 53 of 2003)
- Supply Chain Management Regulations GG 27636 30 May 2005
- Preferential Procurement Policy Framework Act and Regulations
- Treasury Regulations
- National Treasury MFMA Circulars
- MFMA Circular 96 : Implementation of SCM Regulation 32 (2019)
- National Treasury guidelines and prescripts

3. APPOINTMENT ARRANGEMENTS

The Municipality will undertake all engagements of consultants in accordance with the SCM Regulation and the Municipal SCM Policy.

All appointments of consultants in the municipality shall be in writing, recommended by the Municipal Bid Adjudication Committee and approved by the Accounting Officer.

Managers may recommend the appointment of consultants to render specific services, should they be of the opinion that the Municipality lacks the required skills or necessary capacity and those funds are available within their existing budgets.

The relevant Manager will be responsible to prepare the terms of reference for submission be accomplished (proposed outcome) accompanies the tender and is used as a monitoring tool, is appropriately recorded and monitored

The municipality will only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required. This Gap Analysis Report (Attached as Annexure A) is to be used when procuring

Consultancy Services through the Supply Chain Management Process. The report should be submitted

Together with the Formal Request for Purchases “form to Supply Chain Management Unit prior to commencement of the supply chain process.

4. TRAINING OR TRANSFER OF KNOWLEDGE AND SKILLS

Skills transfer can only be applicable as and when there is internal capacity to be trained and utilised in future. We endeavour to always consider the potential for transferring skills, but it will be limited to areas where capacity exist.

Where skills transfer is not considered practical or appropriate, it will be recorded as such.

If the assignment includes an important component for training or transfer of knowledge and skills, the terms of reference should indicate the objectives, nature, scope, and goals of the training program, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangement .The cost of Training program should be included in the consultant contract and the budget for the assignment.

5. RELIANCE

Lephalale Municipality is dependent on external consultants due to a lack of resources.

The following resources impacts on the capability of the municipality to be self-sufficient and to limit the use of external consultants:

a. Human resources

The current staff establishment does not provide for the appointment of specialists in the various fields of local government competencies. This specially refers to the appointment of an experienced GRAP-compliant annual financial statements (AFS) compiler.

The municipality is dependent on the external public works programme to fill gaps on lower levels of the staff establishment.

The high overtime expenditure is also a further indicator of a lack of staff capacity.

Various small contractors are being appointed through supply chain management processes to fill gaps in the administration and to execute essential tasks.

The creation of one senior post will have to be funded through the freezing of several labour posts and the lower labour vacancy rate are already under pressure.

b. Structural responsibilities

The managers appointed in terms of the organisational structure is responsible to manage the various existing works daily. They are overloaded with administrative work and compliance matters. They don't have the time and is not fully equipped in terms of their experience and professional training to act as a consultant for the municipality.

They will also not be covered in terms of the current insurance policy of the municipality for professional failures. The insurance policy will have to be extended to include indemnity insurance.

5.3 Limited Budget

The municipality's budget is already under tremendous constraint and cannot accommodate the funding of additional posts. The high cost of employment is detrimental to the maintenance and operating budget and places a huge burden on service delivery.

5.4 Upper limits and task job limits

The upper limit of municipal remuneration is not market related compared to the remuneration of professional people in the private sector. The municipality experience a serious challenge to attract and retain staff in professional fields of management and it will be much more difficult to appoint professional people for the achievement of specific objectives such as drafting tender specifications for bulk services projects; managing such projects and be accountable and taking the risk associated therewith.

In many instances, more than one specialist is needed to draft tender specifications for a single project, such as civil-, structural- and electrical engineering, planners, environment specialist and planning designers/ architects to plan, design and construct a sewer plant or water purification works. There will have to be a huge hike in upper limits to appoint professionals in the various fields.

Some of the tasks are once off, periodic and seasonal it is impractical to appoint fulltime resources.

5.5 Offices and equipment

Additional office space will be needed and the municipality's capital budget is

insufficient to accommodate this. There is also no grant funding for the construction of office space.

Furthermore, offices for certain professionals must be equipped with specialist equipment such as designer tables, designer's software, plan printers, laboratories, testing equipment and various other.

5.6 Systems, programmes and infrastructure

There are several systems and programmes that the municipality need to maintain to render a cost effective, efficient, and reliable service and to be compliant with legislation.

The current systems entail:

- GIS.
- Service delivery and budget implementation.
- Performance management.
- Risk management.
- Audits
- Compliance management.
- Document management and workflow.
- ICT and software licenses.
- Financial Management systems
- Litigations
- Complaints management.

The use of consultants for the municipality is of utmost importance to ensure service delivery and execute construction work of essential services.

We, however, recognise that any decision to employ consultants or any other external professional service must be fully justified, the procurement properly conducted, the assignment managed effectively, and the costs recorded.

Consultants are only used as and when the strategy, structure, management, or operations of the specific department is under pressure to fulfil its mandate and render basic services.

We endeavor to use consultants outside the 'business-as-usual' environment when inhouse skills are not available, and it will be time- limited. Such consultancy services are expected to either provide additional skills or expertise which are not available within the municipality and are engaged to carry out activities such as investigating problems, providing analysis or advice, or assisting with the development of new systems, new structures, or new capabilities within the organisation and to prepare specifications and manage construction of essential services and works.

In some areas of normal daily administration consultancy engagement is seen to be appropriate when:

- Internal capacity is unavailable to undertake a new area of work.
- Internal capacity is lacking due to a resignation and for the recruitment and training period as such, for instance where a specific system or programme is utilised.
- Independence/objectivity is required and cannot be provided within the municipality.

- Specialist knowledge or expertise is unavailable internally.
- Legislative requirement where a directive is required to be complied with arising from legislation or due to compliance.

6. CONFLICT OF INTEREST

Consultants are requested to provide professional, objective and impartial advice and that all times on for future work and strictly avoids conflicts with other assignments or their own corporate interests.

Consultants should not be hired for any assignment that would conflict with their prior or current obligations to other clients, or that may place them in a position of not being able to carry out the assignment in the best interest of the municipality. Without limitation on the generality of this rule, consultants should not be hired under the following circumstances.

A firm, which has been engaged by the accounting officer to provide goods or works for a project and any of its affiliates, should be disqualified from providing consulting services for the same project. Similar, a firm hired to provide consulting services for the preparation or implementation of a project and any Otis affiliates should be disqualified from subsequently providing goods or works or services related to the initial assignment.

Consultant or any of their affiliates should not be hired for any assignment which, by its nature, my conflict with another assignment of the consultants. Example, consultants hired to prepare an engineering design for an infrastructure project should not be engaged to prepare an independent environmental assessment for the same projects. Neither assisting a client in the privatization of public assets should neither purchase nor advice purchasers of such assets

7. PERFORMANCE MANAGEMENT

The performance of the consultant under the agreement must be monitored by the end user department on monthly basis: The end user must complete the performance evaluation of the consultant in the prescribed format and submit the completed form to the Supply Chain Management (SCM) Unit for monitoring and recordkeeping purposes.

Any instances of non-performance must be duly reported, and a record of non-performing consultants should be kept by the SCM Unit.

If possible, quarterly meetings (but at least twice a year) on the Performance of all consultants should be held where the monthly reporting are discussed and progress evaluated. This Performance of the Consultants

Committee should be appointed by the Accounting Officer/Municipal Manager and must have at least one SCM person and one person from the Department to which the Consultant are delivering the service to.

The performance measuring of Consultants have been brought into the Performance Management Framework and described how it will be done on a more uniform way. The evaluation must be done by the project manager and send to the Administration Unit to consolidate quarterly reports and send to the CFO with recommendations. If necessary, the Performance Measuring Committee for the Consultants will meet twice a year.

10.REMUNIRATION OF CONSULTANTS

Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:

- a) As determined in the guidelines on fees for audits done on behalf of the auditor general South Africa ,issued by the South African institute of Chartered Accountants (SAICA)
- b) Set out in the guide on hourly fee rate for consultants by the department of Public service and administration (DPSA);or
- c) Prescribed by the professional body regulating the profession of the consultant, which that consultant belongs to;
- d) At a rate determined fair or equitable by the Accounting Officer and agreed upon by both parties.
- e) Travelling and subsistence costs for the appointment of consultants must be in accordance with the travelling and subsistence policy of the municipality (If no policy in place it should be in accordance with the Regulations and Circulars for Cost Containment) and the contract price should specify all travelling and subsistence cost

11.MANAGEMENT REPORTING

Payments paid to consultants during the financial year shall be disclosed as per note in the Annual Financial Statements and the Annual report.

12.CONSULTANCY REDUCTION PLAN & STRAGIES

The directorate shall consider the appointment of consultants only when the necessary skills and/or resources to perform a project/duty/study are not available and the department cannot be reasonably expected either to train or recruit people in the time available.

If the assignment includes an important component for training or transfer of knowledge and skills, that must form part of the Terms of Reference and should indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for the training programme shall be included in the consultant's contract and in line with the budget for the assignment.

When the municipality do not have any form of oversight competency that can manage, guide or control the utilization of external consultancy for the execution of their mandate in a specific field of expertise the municipality will endeavor to get assistance from Provincial and National Government departments to take sole responsibility for the execution of such specialty engineering fields and/or construction projects where it will not impact on existing infrastructure, operational and maintenance functionality;

Implement a shared services model within the district for professional services. Constantly inform other spheres of government on the cost of compliance and the unnecessary detail needed to comply with legislative requirements.

Appoint competent staff and Annually evaluates the staff structure to establish opportunities to extend and fill vacant posts and provide for new posts.

The budget Steercom will annually during the budgetary process consider the annual management report on the appointment of consultants to decide on reducing consultants with full time staff.

Municipality is planning to reduce consultants where possible annually by 10%.

Other reduction Strategies

Services Rendered	Consultant Reduction Strategies	Implementation date
Fixed Asset Registers	Appoint the Asset Manager in 2024/25 to manage the asset register. Gradually capacitate the department and Outsource other responsibilities and unbundling of asset and conditional assessment t of infrastructure	2026/27

Meter reading	Installation of smart electricity and water meters and remote reading of billing file .Capacitate department with resources	2026/27
Debts Collection	Installation of credit control system and collect debt below 90 days. outsourcing only Section where municipality is unable to collect (Marapong and Thabo Mbeki) and Legal	Ongoing
Prepaid Electricity vending	Outsource only prepaid and communication systems and software's licenses	1-Jul-27
Security Services	Conduct security assessment and enhance security systems and gradually reduction of Security headcount and building internal capacity and infrastructure.	Ongoing
Legal Services	Gradually build inhouse capacity and outsource critical cases of Litigation	2026/27
Hygiene Services	Inhouse installation of Equipment only outsourcing of SHE Bins and Medical Waste	Ongoing
Valuation Roll	Specialized Services .Municipality does not have internal capacity	N/A
UIFW & Forensic Audits	Specialized Services .Municipality does not have internal capacity and build capacity of interna audit	N/A
Internal Audit Services & AFS preparation and reviews	Specialized Service .Gradually build capacity and only outsource where the Municipality is short-staffed	Ongoing
Financial System & Licenses	Specialized Services .Municipality does not have internal capacity	N/A
IT services -Development of IT Strategy	Specialized Services .Municipality does not have internal capacity	N/A
Risk management systems	Specialized Services .Municipality does not have internal capacity	N/A
Engineering Consultants	Specialized Services .Municipality does not have internal capacity and equipment .Gradually build capacity for Small Projects	N/A

13. COMMENCEMENT ,REVIEW AND APPROVAL

The content of this policy will be reviewed and approved by Council as and when required, to reflect the current stance on the appointment of consultants within Lephalale Municipality.

LEPHALALE MUNICIPALITY

Gap Analysis: Procurement of Consultancy Services

Introduction:

According to National Treasury MFMA Circular No. 82: Cost Containment Measures:

*"Accounting Officers must only contract with consultants after a **gap analysis report** has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required."*

This basic Gap Analysis Report is to be used when procuring Consultancy Services through the Supply

Chain Management Process. The report should be submitted together with the "Formal Request for Purchases" form to the Supply Chain Management Unit, prior to commencement of the supply chain process.

GAP ANALYSIS FORM

SECTION A: USER INFORMATION	
Directorate	
Department/ Section	
Project Name	

Costs	
SECTION B: GAP ANALYSIS: DETAILS ON CONSULTING SERVICES REQUIRED	
Scope: Details on type of consulting services required.	
Intended Output	
<p>Motivation & Identification of Gaps:</p> <p><i>(Reasons confirming that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required)</i></p>	

Effect if Services are not procured	
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SECTION C: RECOMMENDATION BY DIVISIONAL MANAGER

Based on the above reasons, I hereby confirm that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

Name	
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Signature:		Date	
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Comments:

Head of Department Comments

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Corporate services Managers Comments

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Chief Financial Officer Comment

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Approved/Not approved

Accounting Officer

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