CONSULTANT REDUCTION STRATEGY AND PLAN

Approval by Council xxx

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1. REGULATORY FRAMEWORK

MFMA	Requirements
Section 62(a)	The accounting officer of a municipality is responsible for managing the financial administration of the Municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.
Section 78(b)	Each Senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure – that the financial and other resources of the municipality are utilized effectively, efficiently, economically and economically.
Municipal Cost Containment Regulation (Reg 5 Read together with MFMA Circular 97)	A municipality or municipal entity may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality or municipal entity does not have the requisite skills or resources in its full-time employ to perform the function. (5) When consultants are appointed, an accounting officer must: - (d) ensure the transfer of skills by consultants to the relevant officials of the municipality or municipal entity (f) develop consultancy reduction plans to reduce the reliance on consultants
MCCR – Reg 7	A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and appropriately recorded and monitored.

2. OBJECTIVES

4.1 To reduce the municipality's reliance on external consultants through the development of internal capacity, improved resource utilisation, and strengthened institutional knowledge, while ensuring continued compliance with applicable legislative and regulatory requirements.

3. RESPONSIBILITY AND ACCOUNTABILITY

The key responsibilities in terms of the MFMA (Section 65) are:

3.1 The accounting officer of a municipality is responsible for the management of the expenditure of the municipality.

3.2 The accounting officer must for the purpose of subsection (1) take all reasonable steps to ensure—

3.2.1 that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;

3.2.2 that the municipality has and maintains a management, accounting and information system which—

(i) recognises expenditure when it is incurred;

(ii) accounts for creditors of the municipality; and

(iii) accounts for payments made by the municipality;

3.2.3 that the municipality has and maintains a system of internal control in respect of creditors and payments;

3.2.4 that payments by the municipality are made—

(i) directly to the person to whom it is due unless agreed otherwise for reasons as may be prescribed; and

(ii) either electronically eft or provided that cash payments and payments by way of cash may be made for exceptional reasons only, and only up to a prescribed limit;

3.3 The Municipal Manager delegates authority to the Chief Financial Officer to ensure compliance and adherence to the principles established by this policy.

4. OVERVIEW

4.1 Factors impacting on the capacity of the municipality to be self-sufficient and to limit the use of external consultants:

4.1.1 **Human Resources -** The current organisational structure does not adequately provide for specialised skills across key local government competency areas. This challenge is compounded by a high vacancy rate, increasing overtime expenditure, and the existence of unfunded posts, placing additional strain on municipal resources and service delivery capacity.

4.1.2 **Structural responsibilities -** Excessive operational and administrative responsibilities, together with capacity and skills constraints in certain positions, limit the ability of senior managers to focus on strategic priorities and contribute to reliance on external consultants.

4.1.3 **Budget –** High employee-related costs above the norm, limit the municipality's ability to absorb additional specialised capacity, necessitating alternative strategies to reduce reliance on external consultants while maximising existing internal resources.

4.1.4 **Upper limits and task job limits -** The regulated upper limits on municipal remuneration are often not sufficiently competitive with the broader market, creating challenges in attracting and retaining suitably qualified professionals in scarce and specialised skill areas. This capacity constraint may contribute to the municipality's reliance on external consultancy services to meet operational, technical, and regulatory requirements.

4.2 Justification for the consideration to Use Consultants

4.2.1 Outside the "business-as-usual" environment when in-house skills are not available and it will be time-limited;

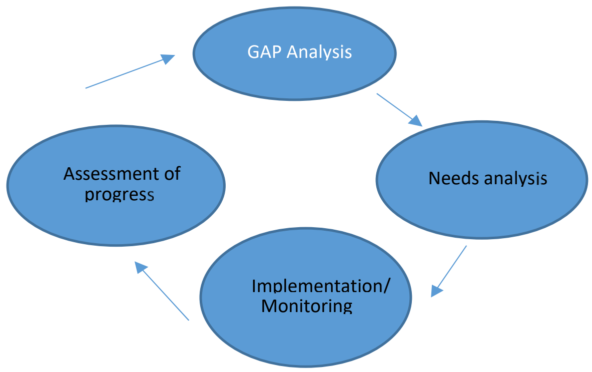
4.2.2 Services required to provide additional skills or expertise which are not available within the Swellendam Municipality, (for example – investigating problems, providing analysis or advice, or assisting with the development of new systems, new structures or new capabilities within the organization and to prepare specifications and manage construction of essential services and works).

4.2.3 Lack of internal capacity is unavailable to undertake certain professional work that will require a Chartered Accountant to assist the Municipality, if the Municipality does not have a chartered accountant.

4.2.4 Independence/objectivity is required and cannot be provided within the municipality.

5. GAP ANALYSIS

5.1 The Municipality is must perform a GAP analysis within its structures prior to procuring the services of a consultant. This analysis assesses the need thereof against the available internal capacity for the specific service required.



5.2 The purpose of the GAP Analysis: -

5.2.1 To strengthen the ability of institutions to identify skills shortages and underutilized skills.

5.2.2 To develop short-medium term plan to address deficiencies.

5.3 GAP analysis considerations:

5.3.1 **Cost effectiveness** - The Municipality must undertake a cost-benefit analysis to determine whether the required services can be delivered more economically through the development of internal capacity or the appointment of permanent staff, while maintaining service delivery standards and business continuity.

5.3.2 **Frequency** - Consideration must be given to how frequently the required skills or expertise are needed within the Municipality. Where the need is ongoing or recurring, preference should be given to developing or acquiring internal capacity. Where consultant panels are utilised, appointments should be regularly reviewed and rotated in accordance with applicable procurement practices.

5.3.3 **Alignment with Municipal Objectives** - The appointment of consultants must support the achievement of the Municipality's strategic objectives and service delivery priorities. The Municipality should assess whether these objectives can be more effectively and sustainably achieved through permanent staffing arrangements.

5.3.4 **Vacancy and Workforce Planning -** Before appointing consultants, the Municipality must assess whether the required functions can be performed through the filling of vacant posts, the reallocation of existing resources, or the creation of appropriately funded positions. Reliance on consultants should not be a substitute for effective workforce planning.

5.3.5 **Skills Transfer and Capacity Building** - Where consultants are appointed, contractual provisions should include mandatory skills transfer to designated municipal officials. The objective must be to strengthen institutional knowledge and reduce future dependence on external expertise.

5.3.6 **Recruitment and Organisational Capacity Constraints -** The Municipality must evaluate whether the appointment of consultants is necessitated by budgetary limitations, delays in recruitment processes, shortages of critical skills, or a lack of suitably qualified personnel. Such factors should be addressed through targeted capacity-building and human resource interventions.

5.3.7 **Nature and extent of services** - The Municipality must analyse the nature and extent of services to be outsourced and whether they are specialized, once-off, temporary services, or services that are of a non-specialized nature?

5.3.8 **Governance, Monitoring and Performance Management -** All consultancy contracts must include measurable deliverables, performance indicators, reporting requirements, and monthly performance monitoring to ensure value for money and accountability. Consultants involved in preparing specifications or bid documentation must comply with applicable legislative and ethical requirements to prevent conflicts of interest.

6. REDUCTION OPTIONS

6.1 **Capacity Building and Oversight** - Where internal capacity is insufficient to effectively manage, direct, or monitor the utilisation of external consultants, the Municipality should leverage support and expertise available through Provincial and National Government departments. Such collaboration should focus on strengthening institutional capacity, enhancing contract management, and supporting the transfer of skills to municipal officials.

6.2 **Shared Services Approach** - Explore a shared services model within the District Municipality to facilitate access to specialised professional services and technical expertise on a cost-effective basis, thereby reducing the need for individual municipal consultancy appointments.

6.3 **Organisational Structure and Workforce Planning** - The organisational structure should be reviewed annually to identify opportunities for the creation, extension, funding, and filling of critical posts required to reduce reliance on external consultants. During the annual budget process, the Budget Steering Committee should consider a management report on consultancy appointments and associated expenditure to determine whether recurring consultancy functions can be more effectively performed through permanent or fixed-term internal appointments.

7. KEY ELEMENTS OF A CONSULTANT REDUCTION PLAN

7.1 To ensure that consultancy appointments contribute to sustainable capacity development and reduced reliance on external expertise, the Municipality must implement the following measures:

7.1.1 Capacity Building and Resource Planning - Prior to the appointment of a consultant, the Municipality must develop and maintain:

i. A skills development and training plan aimed at building internal capacity in the area for which consultancy services are required.
ii. A performance monitoring and evaluation framework to assess the achievement of project objectives, deliverables, and value for money.
iii. Employee retention, succession planning, and knowledge management strategies to preserve institutional knowledge and minimise future dependence on consultants.
iv. An approved budget that adequately provides for consultancy services, skills transfer initiatives, and related project costs.
v. Clearly defined outputs, outcomes, and capacity-building objectives that support the Municipality's consultancy reduction strategy.

7.2 Monitoring, Evaluation and Contract Management - To ensure effective oversight and accountability, all consultancy appointments must incorporate the following requirements:

7.2.1 Milestones and Performance Targets - Consultancy contracts must include clearly defined milestones, deliverables, performance indicators, reporting requirements, and timelines. The Municipality must ensure effective contract management through the assignment of monitoring responsibilities and regular performance reviews.

7.2.2 Budget Provision - All anticipated project costs, including professional fees, travel, subsistence, accommodation, and other disbursements, must be budgeted for and approved prior to the appointment of a consultant.

7.2.3 Skills Transfer - Skills transfer requirements must form an integral part of the scope of work and service level agreement. Consultants must be required to transfer knowledge, technical expertise, and operational competencies to designated municipal officials throughout the duration of the assignment.

7.2.4 Timeframes and Cost Control - Consultancy appointments must be based on clearly defined fee structures, either on a time-and-cost basis or a fixed project cost. All contracts must specify commencement and completion dates and include mechanisms to monitor project progress and expenditure against approved budgets.

7.2.5 Penalty and Performance Clauses - Service Level Agreements must contain appropriate performance management provisions, including penalty clauses for non-performance, delays, or failure to meet agreed deliverables.

7.2.6 Fee Rates - Consultancy fees and remuneration must comply with all applicable legislative requirements and may not exceed prescribed or gazetted rates, where applicable.

7.2.7 Measurable Deliverables and Value for Mone - All deliverables must be specific, measurable, achievable, relevant, and time-bound (SMART). The Municipality must ensure that consultancy appointments demonstrate clear value for money and contribute to sustainable internal capacity development and reduced future dependency on external consultants.

8. IMPLEMENTATION OF THE PLAN

8.1 All consultancy appointments must comply with the Municipality's approved Cost Containment Policy. The prescribed motivation and approval forms must be completed and approved prior to the appointment of any consultant.

8.2 A formal gap analysis must be conducted before a consultancy appointment is considered. The assessment must demonstrate that the required skills, expertise, or capacity are not available within the Municipality and should identify opportunities for future internal capacity development.

8.3 A comprehensive Service Level Agreement (SLA) must be concluded with every appointed consultant. The SLA must clearly define the scope of work, deliverables, performance standards, reporting requirements, timelines, and skills transfer obligations.

8.4 Non-compliance with this Consultancy Reduction Plan and related policies may result in corrective action and, where applicable, disciplinary measures in accordance with the Municipality's disciplinary framework.

8.5 The designated Project Manager must complete a monthly performance evaluation for each consultancy appointment to assess progress against agreed deliverables, project milestones, skills transfer objectives, and overall value for money.

8.6 All supporting documentation, approvals, evaluations, progress reports, and evidence relating to consultancy appointments must be maintained electronically in a central repository to ensure transparency, accountability, and audit compliance.