

<b>BUDGET AND TREASURY DEPARTMENT</b>	Doc Nr	
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## COST CONTAINMENT POLICY

### Signatories

The signatories hereof, confirm acceptance of the contents, recommendation, and adoption hereof.

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## 1. DEFINITIONS AND ACRONYMS

### 1.1 Statutory and Regulatory

This Procedure applies to the following meanings and interpretations:

#	TERM	DESCRIPTION
1.1	Accounting Officer	Refers to a person appointed in terms of section 82(l)(a) or (b) of the Municipal Structures Act.
1.2	Consultant	Refers to a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with the design and implementation of projects or to assist the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.
1.3	Cost Containment	Measures that are implemented to curtail spending in terms of this policy.
1.4	Municipality	Thulamela Local Municipality

### 1.2 ACRONYMS

#	TERM	DESCRIPTION
1.2.1	MFMA	Municipal Finance Management Act

## **2. POLICY STATEMENT**

- 2.1 Thulamela Local Municipality is committed in adhering to section 62(1) of the MFMA read in conjunction with Treasury regulations in ensuring that the resources it has in its possession are used effectively, efficiently and economically. The plea by both national and provincial government that excessive and wasteful expenditure has to be reduced, and that increased action be taken to manage unnecessary expenditure cannot be ignored by the municipality.
- 2.2 In ensuring that spending is regulated, there is a need for the municipality to ensure that with any service rendered or project undertaken, there is value for money and consequences for non-adherence to guarantee accountability.
- 2.3 The municipality must implement measures to contain operational costs and eliminate all non-essential expenditure. These can then be re-prioritised to address service delivery backlogs.

## **3. PREAMBLE**

- 3.1 Section 168(1)(b) and (p) of the MFMA provides that the Minister may regulate financial management and internal control and any other matter that may facilitate the enforcement and administration of the MFMA. The Regulations are aimed at ensuring that the resources of municipalities are used effectively, efficiently and economically.
- 3.2 The Regulations form part of cost-cutting measures by the state. It also sets out instructions for the Municipality to develop its own cost containment policy as a minimal measure to ensure good governance. It is on this basis that the municipality must develop a policy to ensure that measures are put in place to monitor the usage of the municipal funds and ensure that there are procedures to monitor, review and ensure consequences for non-adherence thereof.

## **4. PURPOSE**

- 4.1 The municipality must institute appropriate measures to ensure limited resources and public funds are appropriately utilised to ensure that value for money is achieved in fulfilling its mandate.
- 4.2 The municipality to regulate spending and to implement cost containment measures.

## **5. OBJECTIVES**

The objectives of this policy are to:

- 5.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;
- 5.2 To implement cost containment measures.
- 5.3 The cost containment measures are intended to eliminate wastage of public resources on non-service delivery items and to enhance service delivery models through measures such as cutting unnecessary costs.
- 5.4 To manage and report of the usage of the municipal funds.

## **6. SCOPE**

- 6.1 This policy will apply to all Councillors, municipal employees and services providers/consultants appointed to perform services for the municipality.

## **7. POLICY PRINCIPLES**

This policy will apply to the procurement of the following goods and/or services:

- 7.1 Use of consultant;
- 7.2 Vehicles used for political office-bearer;
- 7.3 Travel & subsistence;
- 7.4 Domestic accommodation;
- 7.5 Vehicle hire;
- 7.6 Credit cards;
- 7.7 Sponsorships & catering costs;
- 7.8 Communication events, advertising and sponsorships;
- 7.9 Conferences, meetings & study tours;
- 7.10 Office furnishing;

## **8. USE OF CONSULTANTS**

8.1 Consultants may only be engaged or utilised as outlined in the Municipality's Policy for Consultants Reduction and also if the following conditions have been met:

7.1.1 The Accounting Officer must conduct a Gap Analysis to confirm that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

7.1.2 There must be evidence that acute planning of the project has taken place, and such evidence must be visible to the administration and political oversight structures in place at the Municipality.

7.1.3 Consultants, including construction and infrastructure-related services, must only be remunerated at the rates equal to or below those 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); set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration prescribed by the body regulating the profession of the consultant.

7.1.4 The tender must be accompanied by an exacting specification of the work to be accomplished, and such specification must be appropriately recorded and monitored.

7.1.5 Contracts for consultants must include retention and penalty clauses for poor performance, and Accounting Officers must enforce such clauses when necessary.

7.1.6 The Accounting Officer must seek the best "value for money" by matching fees against quality and against benchmarked practices.

7.1.7 The Accounting Officer must appoint consultants on a time and cost basis, with specific start and end dates.

7.1.8 Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government, and the contract price must specify all travel and subsistence costs.

7.1.9 If travel and subsistence costs for appointed consultants are exclusive of the contract, the cost must be in accordance with the following provisions:

7.1.9.1 Hotel accommodation may not exceed the amount mentioned in this Circular;

7.1.9.2 Only economy class air tickets may be purchased for flights;

7.1.9.3 Only group B vehicles or lower may be hired for engagements, as mentioned in this Circular;

7.1.9.4 Kilometres claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.

7.1.10 All engagements of consultants must be in accordance with the Supply Chain Management Regulations and with the Municipality's Supply Chain Management Policy.

#### VEHICLES USED FOR POLITICAL OFFICE-BEARERS

7.2 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is greater.

7.3 The procurement of vehicles must be undertaken using the national government transversal mechanism.

7.4 If any other procurement process is used, the cost may not exceed the threshold set out before deciding on another procurement process as in paragraph 7.2, the chief financial officer must provide the council with information relating to the following criteria that must be considered:

7.4.1 Status of current vehicles

7.4.2 Affordability

7.4.3 Extent of service delivery

7.4.4 Terrain for effective usage of vehicle



#### 7.4.5 Any other policy of council

- 7.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometers.
- 7.6 Notwithstanding paragraph 7.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometers only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

### TRAVEL AND SUBSISTENCE

- 7.7 National Treasury has negotiated improved upfront discounts for flights and accommodation rates. Thulamela Local Municipality will utilize these agreements.

### AIR TRAVEL

- 7.8 National Treasury has negotiated with the two “Full-Service Carriers” (SAA and BA) for discounted rates for government officials for domestic air travel.
- 7.9 For SAA, the discounts range from 5% (L Class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Business Class is not permitted, unless a single flight exceeds 5 hours, in which case the Accounting officer may allow consideration.
- 7.10 For BA, the discounts range from 10% (O, Q Class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Business Class is not permitted, unless a single flight exceeds 5 hours, in which case the Accounting Officer may allow consideration.
- 7.11 The Accounting Officer must include a clause in travel documentation that travel agencies are only permitted to make travel arrangements on behalf of the municipality in line with MFMA Circular No. 82.

### DOMESTIC HOTEL ACCOMMODATION

- 7.12 National Treasury has negotiated maximum allowable rates with four hotel groups, being:

#### 7.12.1 Premier Group

#### 7.12.2 Protea Hotels

#### 7.12.3 City Lodge

#### 7.12.4 Tsogo Sun

7.13 Specific rates for Domestic Hotel Accommodation are set forth in the attached Annexure A.

7.14 The Accounting Officer must ensure that oversight accommodation is limited to instances where the distance travelled by road by the official exceeds 500 kilometers to and from the destination (return journey).

7.15 The Accounting Officer must advise travel agencies that booking arrangements on behalf of Thulamela Local Municipality must be made in accordance with MFMA Circular No. 82.

7.16 Approval for deviation will be obtained from the Municipal Manager when the meeting is starting early or finishing late in a case where the kilometres are less than 500. In case of officials the relevant Senior Manager will recommend to the Municipal Manager for approval. In case of councillors the approval will be bought from the Municipal Manager.

### VEHICLE HIRE

The following issues will inform the use of hired vehicles:

7.17 The municipality will consider using its own fleet prior to the hiring of vehicles.

7.18 Officials must make use of shuttle services if the cost of such a service is less than the cost of hiring a vehicle.

7.19 Officials must make use of shuttle services if the cost of kilometers plus the cost of parking is claimable by the official is greater than the cost of the shuttle services.

7.20 Vehicles may only be hired from a category below Group B or an equivalent class officials may accept a vehicle from an up-graded group of hired vehicles if such an up-grade is offered at no extra charge.

7.21 Vehicle claims by officials must be restricted to actual distance travelled in excess of the normal distance travelled from the official's residence to his / her place of work.

## CREDIT CARDS

- 7.22 No official or councilor of the municipality may use any credit card or debit card linked to any bank account of the municipality.
- 7.23 Where officials or councilors incur expenses with respect to their official municipal activities, they should use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the relevant policy.

## SPONSORSHIPS & CATERING COSTS

- 7.24 Catering costs incurred by the municipality will be governed by the following rules:
- 7.24.1 Catering costs may not be incurred for any meetings where only the municipal officials are in attendance.
  - 7.24.2 The Accounting Officer may incur catering expenses for the following, provided that such lasts for five continuous hours or more.
  - 7.24.3 The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings.
  - 7.24.4 Meetings related to commissions or committees of inquiry.
- 7.25 Entertainment allowances for qualifying officials may not exceed an amount as determined by National Treasury circular which relates to entertainment allowances. The Qualifying Officials are:
- 7.25.1 The Mayor;
  - 7.25.2 The Speaker;
  - 7.25.3 The Chief Whip;
  - 7.25.4 All full-time councilors
  - 7.25.5 All section 56 and 57 managers
- 7.26 No expenses may be incurred for alcoholic beverages.
- 7.27 Team-building and other social functions, including year-end functions, may not be financed from the municipal budget.

- 7.28 The municipality will not solicit, nor will it accept unsolicited, the financing (whether financial or “in-kind”) of any team-building or other social functions, including year-end functions, from suppliers or other sponsors.
- 7.29 The municipality will not host farewell functions for any officials who have:
- 7.29.1 been dismissed;
  - 7.29.2 elected to resign or leave by accepting severance packages;
  - 7.29.3 have reached the end of their contractual term.
- 7.30 The municipality may host farewell functions for officials (provided that the expenditure does not exceed the petty cash or other limitation on such expenditure) for any officials who are:
- 7.30.1 Proceeding on retirement due to ill health;
  - 7.30.2 Proceeding on retirement after reaching the qualifying age limit of a minimum of ten or more years working for the Municipality.

#### COMMUNICATION EVENTS, ADVERTISING AND SPONSORSHIP

- 7.31 The municipality will eliminate expenditure on events and advertising in magazines, radio, television, newspapers, and periodicals, where it can be determined that other effective means (such as the municipal website) can be used to market the municipality or properly publicize the matter or event under consideration.
- 7.32 Notwithstanding the above, this does not apply to advertising or publishing matters required by legislation, such as notice of tenders.
- 7.33 Memorabilia, gifts, and other novelties must be of token value only, and will only be offered by the municipality in order to acknowledge support of a visit or attendance by a dignitary in connection with a benefit to the municipality or the local community, or to reciprocate the giving of a similar token gift by another organization.
- 7.34 The municipality will eliminate all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries of induction of new councilors.

- 7.35 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 7.36 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 7.37 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 7.38 Allowance for officials for private calls is limited to R50,00 per official beyond which deductions will be affected.
- 7.39 Provision of diaries is limited to secretaries and electronic diaries be kept by directorates.

#### CONFERENCES, MEETINGS AND STUDY TOURS

Expenditure on these items will be governed by the following rules:

- 7.40 Officials may attend conferences hosted by professional bodies or non-governmental institutions held within the borders of South Africa, provided that the total expenses related to their attendance does not exceed R2,500.00 per person per day.
- 7.41 The number of officials attending such conferences or meetings is limited to three officials, unless otherwise approved in advance by the Accounting Officer, having due regard to the Cost Containment Strategy.
- 7.42 Officials must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance.
- 7.43 No late registrations will be acceptable.
- 7.44 Conferences outside the borders of South Africa must have specific approval of the Accounting Officer in writing in advance of any expenditure being made.
- 7.45 Thulamela Local Municipality must utilize municipal facilities for conferences, meetings, strategic planning sessions, etc. where such appropriate facilities exist.

7.46 Thulamela Local Municipality will eliminate any overseas trips and the delegations going on such trips unless a clear and tangible benefit to the local community and performance of essential service provision has been established beforehand.

7.47 The number of officials travelling by air to other centers to attend an official engagement is limited to three officials, unless otherwise approved in advance by the Accounting Officer, having due regard to the Cost Containment Strategy.

#### OFFICE FURNISHING

7.48 Thulamela Local Municipality will exercise due precaution in refurbishing offices and purchasing equipment, especially when new persons are elected or appointed. The use of existing facilities and equipment is specifically encouraged.

7.49 When required, and approved by the Accounting Officer, the purchasing of office furniture and equipment will be contained to minimize costs; elaborate and expensive furniture and equipment will be avoided.

#### OTHER EMPLOYEE COSTS

It shall be the Policy of Thulamela Local Municipality that:

7.50 Training attended by officials or Councilors must be at pre-approved service providers, to ensure sufficient quality of training and value-for-money.

7.51 Expenditure associated with overseas study tours by Councilors or officials shall not be allowed unless specifically approved in advance by Council Resolution.

7.52 Officials are encouraged to take time off in lieu of payment for overtime worked exceeding 40 hours per month.

7.53 Planned overtime must be submitted to and approved by the relevant Manager or his designate on a monthly basis.

7.54 Unplanned overtime must be motivated to and approved by the relevant Manager or his designate on a monthly basis.

7.55 Thulamela will eliminate all costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff.

## OTHER ITEM

It shall be the policy of Thulamela Local Municipality that:

- 7.56 The Accounting Officer will ensure that all commodities and products that National Treasury has designated as transversal contracts are utilized to benefit from savings where lower prices or rates have been negotiated.
- 7.57 When appropriate, threat assessments against key officials and Councilors should be undertaken by SAPS and reported to the Speakers Office. Approval of security measures must be informed by such reports.
- 7.58 Traffic officials may not be used for security purposes.
- 7.59 The printing of documents and use of colour printing must be carefully controlled, while use of electronic means is preferred.
- 7.60 Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of or during election rallies.
- 7.61 Every effort will be made to recover debt from consumers before the write-off; excessive use of debt collectors will be avoided.
- 7.62 Where possible, warranties on vehicles and computer equipment will be extended instead of procuring new ones.
- 7.63 The purchasing of newspapers and other publications for officials will be eliminated, except where required by other legislation (as for example, proof of advertising of tenders).

## **9. ENFORCEMENT PROCEDURES**

- 9.1 Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the MFMA.

## **10. CONSEQUENCES FOR NON- ADHERENCE TO THE COST CONTAINMENT MEASURES**

- 10.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 10.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 10.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 10.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:
  - 10.4.1. Findings and recommendations; and/or
  - 10.4.2. Whether disciplinary steps should be taken against the alleged transgressor.
- 10.5 The accounting officer must table the report with recommendations to the municipal council.
- 10.6 Subject to the outcome of the council's decision the accounting officer must implement the recommendations.

## **11. LEGISLATIVE AND REGULATORY FRAMEWORK**

This policy must be read in conjunction with the –

- 11.1 The Municipal Finance Management Act, Circular 82, published on 7 December 2016;
- 11.2 Municipal Cost Containment Regulations, 2018; and
- 11.3 Travelling and subsistence policy.

## **12. STAKEHOLDER ENGAGEMENT**

- 12.1 All the relevant stakeholders internal and external will be consulted through the development and implementation of this policy.

## **13. IMPLEMENTATION: ROLES AND RESPONSIBILITIES**

Municipal Manager:



- 13.1 Shall implement and administration of the Cost Containment Strategy.
- 13.2 Delegates the responsibility for the implementation and administration of the Cost Containment Strategy to the Senior Manager, Corporate Services.
- 13.3 Report to the Executive Committee and the Municipal Public Accounts Committee on the implementation and administration of the Cost Containment Strategy, as well as any additional measures to be taken.

Senior Manager, Corporate Services:

- 13.4 Shall report to the Accounting Officer on the implementation and administration of the Cost Containment Strategy.

#### **14. MONITORING AND EVALUATION**

- 14.1 On a continuous basis this policy will be assessed to determine its relevance and effectiveness and to assess whether it has achieved the intended objectives.

#### **15. CONCLUSION**

- 15.1 It is important to note that any failure to comply with the rules and the standards set out in this policy will be regarded as a misconduct. All misconduct or breach will be dealt with within the municipal appropriate disciplinary procedures.

#### **16. REVISION DATE**

- 16.1 This policy shall be reviewed on an annual basis or as and when the needs arise

#### **17. ANNEXURES**

- 17.1 Annexure A – Maximum allowable rates for domestic accommodation and meals
- 17.2 Business Process Map
- 17.3 Standard Operating procedures