



COST CONTAINMENT POLICY

2019/2020

TABLE OF CONTENTS

1. Definitions
2. Purpose
3. Objectives of the policy
4. Scope of the policy
5. Legislative framework
6. Policy principles
7. Use of consultants
8. Vehicles used for political office-bearers
9. Travel & subsistence
10. Domestic accommodation
11. Credit cards
12. Sponsorships, events & catering
13. Communication
14. Conferences, meetings & study tours
15. Other related expenditure items
16. Utilities
17. Enforcement procedures
18. Disclosures of cost containment measures
19. Implementation & review process
20. Consequences for non-adherence to the cost containment measures
21. Short title

1. **DEFINITIONS**

“*consultant*” means a professional person, individual partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist the municipality to achieve the objectives of local government in terms of section 152 of the Constitution.

“*cost containment*” means the measures implemented to curtail spending in terms of this policy.

“*municipality*” means Umdoni Local Municipality

2. **PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Umdoni Local Municipality.

3. **OBJECTIVES OF THE POLICY**

The objectives of this policy are:

- 3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;
- 3.2 To implement cost containment measures.

4. **SCOPE OF THE POLICY**

This policy will apply to all:

- 4.1 Councilors'; and
- 4.2 Municipal employees.

5. **LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the -

- 5.1 Municipal Finance Management Act, Circular 82, published on 7 December 2016;
- 5.2 Municipal Cost Containment Regulations, 2018;

5.3 Government Gazette, 7 June 2019 (Vol 648, No. 42514) and

5.4 Travelling and subsistence policy.

6. **POLICY PRINCIPLES**

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

- (i) Use of consultants
- (ii) Vehicles used for political office-bearers
- (iii) Travel and subsistence
- (iv) Domestic accommodation
- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Any other related expenditure items

7. **USE OF CONSULTANTS**

7.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 When consultants are appointed the following should be included in the Service Level Agreements:

- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
- (ii) Consultants should be appointed on an output-specific basis, specifying deliverables and the associated remuneration;
- (iii) Ensure that cost ceilings are included to specify whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- (iv) Ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity; and
- (v) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management

policy and Municipal Supply Chain Management Regulations, 2005.

- 7.4 Consultancy reduction plans should be developed.
- 7.5 The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in 7.8.
- 7.6 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.7 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.
- 7.8 The Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates:
 - a) determined in the “Guidelines on fees for audits undertaken 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 Rates for Consultants”, issued by the Department of Public Service and Administration (DPSA); or
 - c) prescribed by the body regulating the profession of the consultant.
- 7.9 Consider settling legal matters in-house before appointing attorneys; appointments to be done if it's deemed necessary after evaluating the merits of each case.
- 7.10 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.
- 7.11 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed seven hundred thousand rand (R700 000) or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 8.2 The procurement of vehicles in 8.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as in 8.2, the Chief Financial Officer must provide the Council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles;
 - (ii) Affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in 8.1;
 - (iii) Extent of service delivery backlogs;
 - (iv) Terrain for effective usage of vehicle; and
 - (v) Any other policy of council
- 8.5 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 8.6 If the rental referred to in 8.4 is preferred, the Accounting Officer must review the costs incurred regularly to ensure that value for money is obtained.
- 8.7 Notwithstanding 8.5, the municipality may replace vehicles for official use by political office bearers before the completion of 120 000 kilometres 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.

- 8.8. The Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. TRAVEL & SUBSISTENCE

9.1 The Accounting Officer:

- (i) may only approve the purchase of economy class tickets for all officials or political office bearers where the flying time for a flight is five (5) hours or less; and
- (ii) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the Accounting Officer for flights that exceed five (5) hours of flying time.

9.2 In the case of the Accounting Officer, the Mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

9.3 Notwithstanding 9.1 and 9.2, the Accounting Officer, or the Mayor in the case of the Accounting Officer, may approve the purchase of business class tickets for an official or political office bearer with a disability or a medically certified condition.

9.4 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only officials or political office bearers that are directly involved with the subject matter will be allowed to attend the meeting or event.

9.5 The Accounting Officer, or the Mayor in the case of the Accounting Officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only –

- (a) during peak holiday periods; or
- (b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and/or international guests.

9.6 Officials or political office bearers of the municipality must:

- (i) Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;

- (ii) Make use of available public transport or a shuttle service if the cost of such a service is lower than:
 - the cost of hiring a vehicle;
 - the cost of kilometres claimable by the official or political office bearer; and
 - the cost of parking.
- (iii) not hire vehicles from a category higher than Group B or an equivalent class; and
- (iv) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the Accounting Officer before hiring the vehicle.

9.7 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. **DOMESTIC ACCOMMODATION**

- 10.1 The Accounting Officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals, as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.
- 10.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

11. **CREDIT CARDS**

- 11.1 The Accounting Officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or political office-bearer.
- 11.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.
- 11.3 The use of petrol cards or garage cards for municipal vehicles is permitted. These must be utilised in accordance with the Fleet Management Policy and related procedures to avoid misuse thereof.

12. **SPONSORSHIPS, EVENTS & CATERING**

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the Accounting Officer.
- 12.2 Catering expenses may be incurred by the Accounting Officer for the following, if they exceed five (5) hours:
- (i) Hosting of meetings;
 - (ii) Conferences;
 - (iii) Workshops;
 - (iv) Courses;
 - (v) Forums;
 - (vi) Recruitment interviews; and
 - (vii) Council proceedings
- 12.3 Entertainment allowances of qualifying officials may not exceed two thousand rand (R2 000,00) per person per financial year, unless otherwise approved by the Accounting Officer.
- 12.4 Specifications for the lunches served be revised; to provide light meals and soft drinks.
- 12.5 No morning tea to be served for Council meetings.
- 12.6 Expenses may not be incurred on alcoholic beverages.
- 12.7 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsor such as but not limited to:
- staff year-end functions
 - staff wellness functions
 - attendance of sporting events by municipal officials
- 12.8 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs related thereto are recovered from the affected officials.

- 12.9 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health. The expenditure should not exceed the limits of petty cash usage as per the petty cash policy of the municipality.

13. **COMMUNICATION**

- 13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 13.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 Allowances for officials for private calls is limited to R50.00 per official.
- 13.6 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.
- 13.7 Cost savings initiatives to be implemented when printing documents; [Print back-to-back and use of colour printing for graphs only].
- 13.8 Implementation of the Electronic Document Management System to enhance the paperless environment and save on paper.

14. **CONFERENCES, MEETINGS & STUDY TOURS**

- 14.1 Appropriate benchmark costs must be considered prior to granting approval for an official or political office bearer to attend a conference or event within and outside the borders of South Africa.
- 14.2 The benchmark costs referred to in 14.1 may not exceed an amount determined by National Treasury.

- 14.3 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, the Accounting Officer (or Mayor, as the case may be) must take the following into account:
- (i) The official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
 - (ii) Whether the conference or event will address the relevant concerns of the municipality;
 - (iii) The appropriate number of officials or political office bearers, not exceeding three (3), to attend the conference or event;; and
 - (iv) Availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:
- (i) Conference or event registration expenses; and
 - (ii) Any other expense incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded: laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- 14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilised for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

- 14.10 The Accounting Officer must grant the approval for officials and in the case of political office bearers and the Accounting Officer, the Mayor, as contemplated in 14.3.

15. **OTHER RELATED EXPENDITURE ITEMS**

- 15.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, in order to benefit from savings where lower prices or rates have already been negotiated.
- 15.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and other inducements as part of, or during the election periods or to fund any activities of any political party at any time.
- 15.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 15.4 The municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.5 The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the Speaker's office.
- 15.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- 15.7 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

16. **UTILITIES**

- 16.1 The municipality must embark on cost-savings initiatives for utilities.
- 16.2 Officials and political office bearers to ensure that lights are switched off when not needed. Use of other energy saving techniques when practical.

17. **ENFORCEMENT PROCEDURES**

- 17.1 Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorised or incurred any expenditure contrary to this policy (and Government Gazette No. 42514) being held liable for financial misconduct or a financial offence in the case of political office bearers as set out in Chapter 15 of the MFMA, 2003 (Act No. 56 of 2003) read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

18. **DISCLOSURES OF COST CONTAINMENT MEASURES**

- 18.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget reports and annual cost savings must be disclosed in the annual report.
- 18.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted to the Municipal Council for review and resolution. The Municipal Council can refer such reports to an appropriate Council Committee for further recommendations and actions.
- 18.3 Such reports must be copied to the National Treasury and KZN Provincial Treasury within seven calendar days after the report is submitted to Municipal Council.

19. **IMPLEMENTATION & REVIEW PROCESS**

- 19.1 This policy will be reviewed at least annually or when required by way of a Council resolution, or when an update is issued by National Treasury.

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

- 20.1 Any person must report an allegation of non-compliance to the Cost Containment Policy to the Accounting Officer of the municipality.
- 20.2 The Accounting Officer must investigate the allegations and, if frivolous, speculative or unfounded, terminate the investigations.

- 20.3 If the Accounting Officer determines the allegations are founded, a full investigation must be conducted by the Disciplinary Board.
- 20.4 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:
- Findings and recommendations; and/or
 - Whether disciplinary steps should be taken against the alleged transgressor.
- 20.5 The Accounting Officer must table the report with recommendations to the Municipal Council.
- 20.6 Subject to the outcome of the Council decision the Accounting Officer must implement the recommendations.

21. **SHORT TITLE**

- 21.1 This policy shall be called the Cost Containment Policy of the Umdoni Local Municipality.