

Draft March 2023



MUNICIPALITY

MUNISIPALITEIT

Cost Containment Policy

2023/2024

PREAMBLE

This policy document seeks to implement the Cost Containment Regulations gazetted by National Treasury on the 16th of February 2018 in Gazette Number 41445 in terms of the Municipal Finance Management Act.

The object of the Regulations is to ensure that the resources of the municipality are used effectively, efficiently and economically in line with Section 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the MFMA.

The cost containment policy of the municipality must:

- Be in writing;
- Give effect to the Regulations;
- Be reviewed annually, as may be appropriate;
- Be communicated on the municipality's website, and must set out
- Measures for ensuring implementation of the policy;
- Procedures for the annual review of the policy; and
- Consequences for non-adherence to the measures contained herein

The following measures must be implemented, consistently with immediate effect to ensure the containment of costs: -

Use of Consultants

- The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full time employ to perform the function.
- 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 of South Africa", issued by the South African Institute of Chartered Accountants;
 - b) Set out in the 'guide on hourly fee rates for consultants,' issued by the Department of Public Service and Administration;
 - c) As prescribed by the body regulating the profession of the consultant
- 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 above
- When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates
- When consultants are appointed, the accounting officer must:
 - a) Appoint consultants on a time and cost basis with specific start and end dates;
 - b) Where practical, appoint consultants on an output-specific basis, subject to a clear specification of deliverables and associated remuneration;
 - c) Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
 - d) Develop consultancy reduction plans; and

- e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations and the municipality's Supply Chain Management policy;
- f) All contracts with consultants must include fee retention or penalty clause for poor performance;
- g) The municipality must ensure that the specifications and performance, are used as a monitoring tool for the work to be undertaken and is appropriately recorded and monitored;
- h) The travel and subsistence costs of consultants must be in accordance with the travel policy issued by the National Department of Transport, as updated from time to time;
- i) The contract price must specify all travel and subsistence cost 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 travel policy of the National Department of Transport.

Vehicles used for political office-bearers

- The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R700,000 or 70% of the total annual remuneration package for different grades, whichever is greater;
- The procurement of vehicles must be undertaken using the national government transversal control mechanism;
- If any other procurement process is used, the cost may not exceed the threshold limit set out above;
- Before deciding on another procurement process, the chief financial officer must provide the council with information relating to the following criteria which must be considered:
 - a) Status of current vehicles;
 - b) Affordability;
 - c) Extent of service delivery backlogs;
 - d) Terrain for effective usage of vehicle; and
 - e) Any other policy of council
- Regardless of their usage, vehicles for office use by public office-bearers may only be replaced after completion of 120,000 kilometres;
- Notwithstanding above, a municipality may replace vehicles for official use by public office-bearers before 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.

Travel and subsistence

The accounting officer:

- May only approve purchase of economy class tickets for employees and Councillors where the flying time for the flights is five hours or less;
- May approve the purchase of business class tickets for employees and Councillors with disabilities or for those with special needs, where the flying time is five hours or less;
- Purchasing of air tickets for first class travel is not permitted under any circumstances;
- For flights exceeding five hours, may purchase business class tickets only for accounting officers and Councillors;

- This policy limits international travel to meetings or events that are considered critical and the number of officials attending such meetings or events is limited to the officials directly involved in the subject matter related to such meetings or events;
- Domestic hotel accommodation linked to travel and subsistence may not exceed R1,370 per night. National Treasury reviews this amount periodically;
- The amount of R1,370 may be exceeded with the approval of the accounting officer in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local/international guests in the country or in that particular geographical area;
- Hiring of vehicles for travelling must be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired as per the level of Employees/Councillors;
- Sharing of the mode of transport when Employees/Councillors travel to the same destination;
- Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey);
- When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc (one vehicle to be hired per occasion);
- Flight bookings must be made timeously, to prevent unnecessary overnight stay costs
- Directors must implement systems in their respective directorates to ensure cost effective and time efficient travelling;
- Travelling must be pre-authorised by the Director of the respective Directorates who must implement systems to ensure cost-effective and time efficient travelling

Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners

- Departments must ensure that the employment contracts for the abovementioned categories are in line with the applicable HR policies;
- The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies

Acting Allowances

- Acting allowances must be paid in accordance with the applicable HR policies, SALGBC Collective Agreements and any applicable legislation;
- Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs;
- Acting must only be permitted in positions on the approved organogram, in line with the Municipal Systems Amendment Act (5 July 2011);
- Acting must only be permitted in funded vacant positions;
- Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability;
- Acting for extended periods must be discouraged, unless motivated to the Municipal Manager, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation

Overtime

- Overtime must be undertaken in compliance with all relevant policies, SALGBC Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act);
- Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant directorate;
- Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager prior to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA);
- The Director must ensure that overtime worked in excess of 40 hours, was authorised by the Municipal Manager prior to the actual overtime being worked;
- The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime;
- The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to;
- An overtime policy must be developed and approved by Council and such policy must be in line with the applicable legislation and regulations

Catering, refreshments & entertainment

- The municipality may not incur catering expenses for internal meetings, i.e. for meetings attended only by persons in its employ, unless approved by the accounting officer;
- The municipality may not incur expenses on alcoholic beverages, except for instances where alcohol is to be served at functions relating to:
 - a) State banquets;
 - b) The promotion of South Africa and any of its goods and services; or
 - c) The hosting of foreign dignitaries
- The Municipal Manager must ensure that team building exercises and social functions, including year-end functions, are not financed from the budgets of their respective establishments or by any suppliers or sponsors;
- Apart from tea, coffee and muffins, limited catering and refreshments will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council and Management meetings prior approval is to be obtained from the Municipal Manager who will advise the amount per head that may be spent;
- At the discretion of the Municipal Manager, catering and refreshments may only be provided at meetings with overseas visitors and other spheres of government, after budget availability has been confirmed by the Budget & Treasury Section;
- Entertainment allowances of the Municipal Manager and Directors for office refreshments for visitors may not exceed two thousand rand per Directorate per financial year

Sponsorships & Events

- The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of Employees/Councillors, other than uniforms, office supplies and tools of trade, unless costs related thereto are recovered from affected officials

Attendance of Conferences, Seminars & Workshops

- Conferences, seminars and workshops may be attended by Officials and Councillors, but only when absolutely necessary;
- The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance;
- The total size of municipal delegations attending conferences, seminars and workshops outside the municipality, must be restricted to two delegates;
- The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the municipality;
- Budget availability must be confirmed by the Budget and Treasury Section, in the 1st instance;
- In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Municipal Manager

Municipal Workshops, Retreats, Strategic Sessions and Internal Training

- Only local municipal venues may be utilized to host municipal workshops, retreats, strategic sessions and internal training;
- The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available;
- Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house;
- The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available;
- Budget availability must be confirmed by the Budget and Treasury Section, in the first instance, prior to the Municipal Manager approving the use of external venues

Projects/Programme Launches

- The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality;
- When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project

Telephone Costs (Landlines)

- The Council's policy relating to payment for private calls must be fully enforced by all Directorates;
- The cost of all private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), so that the necessary deductions can be made from the affected municipal employees' salary

Uniforms and Clothing

- A uniform policy must be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees;

- A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates

Credit Cards

- The Municipal Manager must ensure that no credit or debit cards linked to a bank account of the municipality is issued to any Employee/Councillor;
- Where Employees/Councillors incur expenditure in relation to official municipal activities, the Employee/Councillor must use their personal credit/debit card or cash or arrangements made by the municipality and request reimbursement from the municipality in accordance with the relevant policies and processes

General Measures to be Implemented

- In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption;
- E-Learning methods should be considered for in-house training;
- Telephone and/or video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs;
- Where possible, transversal contracts must be used for the procurement of goods and services;
- Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs;
- Bulk purchases should be considered for regularly consumed inventory;
- The municipality must participate in the transversal term contract arranged by National Treasury for the acquisition of mobile communication services;
- All commodities, services and products covered by a transversal contract concluded by the National Treasury must be procured through that transversal contract before approaching the market, to benefit from savings where lower prices or rates have been negotiated;
- The municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during election periods

Enforcement Procedures

- Failure to implement or comply with these costs cutting measure may result in any Employee/Councillor that authorised or incurred any expenditure contrary to these regulations being held liable for misconduct

Disclosures of Cost Containment Measures

- The disclosure of cost containment measures applied by the municipality must be included in the municipal budget in-year reports and annual cost savings disclosed in the annual report;

- The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings, 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;
- Such reports must be copied to National and Provincial Treasury within seven calendar days after the report is submitted to the Municipal Council

Commencement

- This policy together with the Municipal Cost Containment Regulations, takes effect on the 1st of July 2022