

MOSES KOTANE LOCAL MUNICIPALITY



COST CONTAINMENT MEASURE POLICY

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Developed in terms of the Local Government: Municipal Cost Containment Regulations of June 2019 which came into effect on 1 July 2019 as well as National Treasury Municipal Finance Management Act Circular 97 dated 31 July 2019.

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1. DEFINITIONS

"**Act**" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

"**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 its objectives of local government in terms of section 152 of the Constitution.

"**Cost containment**" the measures implemented to curtail spending in terms of this policy.

"**Credit / Petrol / Garage card**" means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

"**Municipality**" Moses Kotane Local Municipality

2. PURPOSE

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

3. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

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

4. APPLICATION OF THE POLICY

- 4.1. These policy applies to all officials and political office bearers in municipality and municipal entity.

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the -

- 5.1. The Municipal Finance Management Act, No. 56 of 2003
- 5.2. MFMA Circular 82 and 97, published on 7 December 2016 and 31 July 2019 respectively;
- 5.3. Municipal Cost Containment Regulations, Notice 317 of 2019; and

5.4. Other policy of council

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 / petrol 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. A 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.

7.2. An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates –

- (a) determined in the "Guideline 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; or
- (c) as prescribed by the body regulating the profession of the consultant.

7.3. 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 sub –section (7.2).

7.4. When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.

7.5. When consultants are appointed, an 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- specified basis, subject to specific measurable objectives 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) ensure the transfer of skills by consultants to the relevant officials of a municipality;
 - (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and
 - (f) develop consultancy reduction plans to reduce the reliance on consultants.
- 7.6. All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 7.7. A municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- 7.8. 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.
- 7.9. 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 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 sub -section (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. Before deciding to procure a vehicle as contemplated in sub -section (8.2), the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- (a) status of current vehicles;

- (b) 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 sub -section (8.1);
 - (c) extent of service delivery backlogs;
 - (d) terrain for effective usage of the vehicle; and
 - (e) any other policy of council.
- 8.4. If the rental referred to in sub -section (8.3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 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. Notwithstanding sub -section (8.5), a municipality may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 8.7. An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. TRAVEL AND SUBSISTENCE

- 9.1. An accounting officer
- a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
 - b) may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.
- 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 sub –section (9.1) or (9.2), an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a 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 number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.
- 9.5. An 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 in that particular geographical area.
- 9.6. An official or a political office bearer of a municipality must –
- (a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
 - (b) make use of available public transport or a shuttle service if the cost of such a service is lower than –
 - (i) the cost of hiring a vehicle;
 - (ii) the cost of kilometres claimable by the official or political office bearer; and
 - (iii) the cost of parking.
 - (c) not hire vehicles from a category higher than Group B or an equivalent class; and
 - (d) 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. A municipality must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

10. DOMESTIC ACCOMMODATION

- 10.1. An 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 from time to time by the National Treasury through a notice.

- 10.2. Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

11. CREDIT / PETROL / GARAGE CARDS

- 11.1. An accounting officer must ensure that no credit card or debit card linked to a bank account of a 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 officer bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved policy and processes.
- 11.3. While the use of petrol and/or garage cards for municipal vehicles is permitted, the petrol and/or garage cards must be utilised in accordance with the cost containment measure policy and related procedures to avoid misuse. Cost containment measures should be applied in managing and planning trips.

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 officials may not exceed two thousand rand (R2 000) per person per financial year, unless otherwise approved by the accounting officer.
- 12.4. Expenses may not be incurred on alcoholic beverages.
- 12.5. Accounting officer must ensure that social events, team building exercises, year -end functions, sporting events and budget vote dinners are not financed from the municipality budgets or by any suppliers or sponsors.

- 12.6. 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 thereto are recovered from the affected officials.
- 12.7. Accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

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 expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- 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 hundred rand only (R100,00) per official per month.
- 13.6. Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

14. CONFERENCES, MEETINGS AND STUDY TOURS

- 14.1. Accounting officer must establish procedures to manage applications to attend conferences or events hosted by professional bodies or non - governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.
- 14.2. When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, an accounting officer or mayor as the case may be, must take the following into account –
 - (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;

- (b) whether the conference or event addresses relevant concerns of the institution;
 - (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
 - (d) the availability of funds to meet expenses related to the conference or event.
- 14.3. An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 14.4. The benchmark costs referred to in sub -section (14.3) may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 14.5. The amount referred to in sub -section (14.4) excludes costs related to travel, accommodation and related expenses, but includes –
 - (a) conference or event registration expenses; and
 - (b) any other expense incurred in relation to the conference or event.
- 14.6. When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.7. The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in- house.
- 14.8. Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- 14.9. An 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 sub –section (14.2).
- 14.10. A municipality or municipal entity must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

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, to benefit from savings where lower prices or rates have 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 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. A municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.5. A 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. A 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. A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

16. ENFORCEMENT PROCEDURES

- 16.1. 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 read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

17. DISCLOSURES OF COST CONTAINMENT MEASURES

- 17.1. Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.

17.2. The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization 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.

17.3. The reports referred to in sub –section (17.2) must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION AND REVIEW PROCESS

18.1. 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.

19. SHORT TITLE

19.1. This policy shall be called the Cost Containment Policy of the Moses Kotane Local Municipality.