



## Municipal Cost Containment Policy

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## [1] Background

Section 62(1)(a) of the Act stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of a municipality are used effectively, efficiently and economically.

In terms of the above legal framework, municipalities are required to institute appropriate measures to ensure that the limited resources and public funds are appropriately utilized to ensure value for money is achieved.

To this effect, cost containment measures for municipalities were introduced through the National Treasury MFMA Circular 82 on 30 March 2016. The measures were updated during November 2016. The Regulations were promulgated on 07 June 2019 and have taken effect on 01 July 2019. The National Treasury MFMA Circular 97 was issued on 01 July 2019 to replace National Treasury MFMA Circular 82 and to clarify the legal framework set out in the Regulations.

The Regulations do not have retrospective effect and do not affect contracts concluded prior to 01 July 2019.

### [1.1] Aims / Objectives of the Policy

The objectives of the Policy are as follows:

- In line with section 62(1)(a), 78(1)(b), 95(a) and 105(1b) of the Act, is to ensure that resources of the Municipality are used effectively, efficiently and economically by implementing cost containment measures and;
- Seek to give effect to the Regulations by promoting the cost containment principle of prudent use of public funds

### [1.2] 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 a municipality perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;
- "cost containment" means measures implemented to curtail spending in terms of the Policy;
- "credit card" means a card Issued by a financial service provider, which creates a revolving account and grants a line of credit to the cardholder;
- "event" means any planned activity of the Municipality, a professional body and / or a non-governmental institution;
- "Minister" means the Minister of Cooperative Governance and Traditional Affairs;
- "Municipality" means the Senqu Local Municipality;
- "Policy" means the Municipal Cost Containment Policy;
- "Province" means the Eastern Cape Province; and
- "Regulations" means the Municipal Cost Containment Regulations, 2019.

**[2] Application of the Policy**

2.1 The Policy applies to all municipal officials and councillors of the Municipality and where applicable to consultants and other service providers of the Municipality.

2.2 Should any provision of the Policy or any other policy of the Municipality be in conflict with the Regulations and / or the Act then the provisions of the Regulations and / or the Act will prevail.

**[3] Use of Consultants****[3.1] Appointment of Consultants**

3.1.1 – The Municipality's objects for the use of consultants are to ensure that it is able to perform its constitutional functions and achieve its objectives in providing services to its community. In addition, the object is to ensure that skills transfers take place from consultants to the Municipality's employees.

3.1.2 The Municipality is located in a rural area with limited resources and unable to attract full-time employees with the required skills to perform all of the functions of the Municipality. The Municipality's assessment of its the needs and requirements confirms that it does not have the requisite skills or resources in its full-time employ in the following fields:

- (a) Built environment and infrastructure maintenance (including, but not limited to project management, engineering, architecture and quantity surveying);
- (b) Property valuation;
- (c) Electrical engineering;
- (d) Environmental science;
- (e) Human resources;
- (f) Internal audit;
- (g) IT;
- (h) Legal; and
- (i) Financial.

3.1.3 The Municipality may appoint consultants to perform the functions in the above fields. Prior to the appointment of consultants in the above fields a motivation must be provided and the prior approval of the accounting officer be obtained.

3.1.4 The Municipality may only appoint consultants outside the above fields if an assessment of the needs and requirements of the Municipality confirms that it does not have the requisite skills or resources in its full time employ to perform the required function.

3.1.5 – The accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates set out in the Regulations. 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.

3.1.6 - The tender documentation for the appointment of consultants must comply with the Regulations and must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates set out in the Regulations.

3.1.7 - When consultants are appointed, the prescribed terms in the Regulations must be included in the service level agreements concluded with those consultants.

3.1.8 The Municipality must develop business processes to ensure that skills transfers take place when consultants are utilised. Skills may be transferred through the provision of workshops or on the

job training.

3.1.9 In order to give effect to the objects of the Policy in 1.1 above the Municipality must develop consultancy reduction plans to reduce the reliance on consultants

#### **[4] Vehicles used for political office-bearers**

4.1 - The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% of the total annual remuneration package of a political office-bearer as defined in the Public Office Bearers Act, 1998 and the notices issued in terms thereof by the Minister, whichever is lower.

4.2 The above threshold limit represents the total costs, including financing charges. The same threshold limit applies when the Municipality considers the acquisition of vehicles through rentals or leasing arrangements.

4.3 - The procurement of vehicles in 4.1 and 4.2 must be undertaken using the national government transversal contract mechanism, unless it can be procured at a lower cost through other procurement mechanisms.

4.4 Before the procurement in 4.3 takes place the Municipality must conduct research to determine the market value of the vehicle that the Municipality intends to procure. Should the market value be less than the costs through the national government transversal contract mechanism then the vehicle must be procured through other mechanisms.

4.5 - Before deciding to procure a vehicle as contemplated in 4.3, 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 options such as procurement, leasing, rental or hire;
- (c) extent of service delivery backlogs;
- (d) terrain for effective usage of vehicle; and
- (e) any other policy of council.

4.6 – If rental referred to in 4.2 is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

4.7 - Regardless of their usage or the incumbent to office, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.

4.8 - Notwithstanding 4.6, the municipality may replace vehicles for official use by political office bearers before completion of 120 000 kilometres only in instances where the vehicle experiences serious mechanical problem and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

4.9 - When Considering replacement of vehicles after 120 000 kilometres the following aspects must be considered before commencing procurement process;

- Budget Availability,
- Detailed Cost Benefit and Safety Considerations report by the vehicle manufacturer or approved dealer or mechanical expert

4.9 – Political office bearers must comply with the Municipality's policy on the use of municipal vehicles.

**[5] Travel and subsistence**

5.1 – The claims for all travel and subsistence costs under this section will be regulated in terms of the Municipality's S&T Policy.

5.2 – The Municipality is located in a rural area with limited or no public transport, shuttle services and / or rental vehicles. Officials and / or political office bearers are accordingly required to make use of their own vehicles or municipal fleet for travelling within the Province or to access the Bloemfontein airport. No travelling by vehicle is permitted to any destination served by airlines from either Bloemfontein or East London without the prior approval of the accounting officer.

5.3 - The accounting officer may only approve purchase of economy class tickets for officials and / or political office bearers where the flying time for the flights is five hours or less;

5.4 - For flights exceeding five hours, the accounting officer may purchase business class tickets for officials, political office bearers and persons reporting directly to the accounting officer.

5.5 - 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.

5.6 - Notwithstanding 5.1 to 5.3, 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.

5.7 - International travel to meetings or events is only allowed when considered critical. The number of officials attending such meetings or events is limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

5.8 - The accounting officer may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury during peak holiday periods; or 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.

5.9 - Officials or political office bearers of the Municipality must:

- (a) utilize the municipal fleet, where viable, before incurring costs to hire vehicles for travelling within the area of the Joe Gqabi District Municipality;
- (b) Make use of shuttle services in metropolitan areas outside the Province 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 employee; and
  - (iii) the cost of parking.
- (c) Not hire vehicles from a category higher than Group B or an equivalent class except when an upgrade is offered with no extra charge or at a lower charge than a Group B vehicle; and
- (d) Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official or when the number of officials attending a specific event necessitate a higher class vehicle, seek the written approval of the accounting officer before hiring the vehicle.

5.10 - The fleet to be considered must be designated fleet vehicles not earmarked for service delivery purposes.

5.11 – The Municipality must utilize the negotiated rates for flights and accommodation, communicated by the National Treasury, from time to time, or any other available cheaper flights and accommodation.

5.12 - Where possible officials and political office bearers are encouraged to travel together in one vehicle.

## **[6] Domestic accommodation**

6.1 - The costs incurred for domestic accommodation and meals must be in accordance with the maximum allowable rates for domestic accommodation and meals as prescribed by the National Treasury, from time to time.

6.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres save as set out below.

6.3 In the light of what is set out in 5.2 above the accounting officer may in cases where the above limitation is impractical approve overnight accommodation. The accounting officer may exercise the aforesaid discretion when:

- (a) attendance is required over a number of days;
- (b) there is a risk to the health of the official or political office bearer;
- (c) cost vs benefit considerations can warrant such expenditure; or
- (d) travelling is required before sunrise or after sunset as a result of the scheduled meeting or event time or the duration of the meeting or event.

## **[7] Credit cards**

7.1 - No credit card or debit card linked to a bank account of the Municipality may be issued to any official or public office bearer.

7.2 - Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials or public officer bearers must use their personal credit cards or cash or arrangements made by the Municipality, and request reimbursement from the Municipality in accordance with the written approved policy and processes.

## **[8] Sponsorships, events and catering**

8.1 - The Municipality may only incur catering expenses for meetings, conferences, workshops, courses, forums and recruitment interviews which are only attended by persons in the employ of the Municipality that exceed five hours,.

8.2 - The accounting officer may only incur catering expenses for hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.

8.3 - Entertainment allowances of officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

8.4 – The municipality may not incur expenses on alcoholic beverages unless the cost from the sale of the beverages is recovered.

8.5 - Social functions, team building exercises, year-end functions, sporting events, budget vote dinners and other functions for officials and /or political office bearers that have a social element may not be financed from the Municipality's budgets or by any suppliers or sponsors. The aforesaid does not apply to human resources wellness programmes or strategic planning sessions.

8.6 – The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless costs related thereto are recovered from affected officials or is an integral part of the business model.

8.7 - The accounting officer may incur expenditure 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, not exceeding the limits of R2 000.

## **[9] Communication**

9.1 - The Municipality may, as far as possible, advertise municipal related events on its website, on official notice boards, on social media and on radio broadcasts instead of advertising in magazines or newspapers. Where notices must be published in newspapers, local newspapers circulating within the area of jurisdiction of the Municipality should preferably be used.

9.2 – The Municipality may print all statutory notices on print media where required to do so by legislation or to provide appropriate audit evidence.

9.3 - 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 or statutory compliance and where unavailable in electronic format. Newspapers and other related publications may be purchased or subscribed to in terms of the Municipality's Communications Policy and / or its Recruitment and Selection Policy.

9.4 – The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **[10] Conferences, meetings and study tours**

10.1 – The accounting officer must establish policies and procedures to manage the application by officials and / or political office bearers 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.

10.2 – When considering applications from officials or political office bearers to attend conferences or events within the borders of South Africa, the accounting officer or mayor as the case may be, must take the following into account;

- (a) The official's or political office bearer's roles and responsibilities and the anticipated benefits of the conference or event;
- (b) Whether the conference or event addresses relevant concerns of the Municipality;
- (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 event.

10.3 – The accounting officer is the approval authority for all conferences and events save that the mayor is the approval authority for the attendance by the accounting officer of conferences and events.

10.4 The accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official and / or political office bearer to attend a conference or event within and outside the borders of South Africa.

10.5 - Such benchmark costs may not exceed an amount as determined from time to time by the National Treasury through a notice.

10.6 - The amount referred to in 10.4 above 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

10.7 - 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.

10.8 - The accounting officer 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.

10.9 - Municipal or provincial office facilities must be utilized for conference, meetings, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction.

10.10

10.11 - The municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

#### **[11] Other related expenditure items**

11.1 - 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.

11.2 - 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 or to fund any activities of any political party at any time.

11.3 - Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Minister in terms of the Remuneration of Public Office Bearers Act, 1998.

11.4 - The municipality must avoid expenditure on elaborate and expensive office furniture.

11.5 - 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.

11.6 - 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.

11.7 - The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

## **[12] Enforcement Procedures**

12.1 - Failure to implement or comply with this Policy may result in any official of the municipality or political office bearer that authorised or incurred any expenditure contrary to this Policy being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

## **[13] Disclosures of cost containment measures**

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

13.2 - 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 Council for review and resolution. The council can refer such reports to an appropriate Council Committee for further recommendations and actions.

13.3 The Policy must be reviewed annually as part of the municipality's annual review process of its budget related policies.

13.4 - The reports in 13.2 above must be copied to the National Treasury and relevant Provincial Treasuries within seven calendar days after the report is submitted to Council.

## **[14] Commencement Date**

14.1 - This Policy is applicable from 01 July 2026 and will apply to all procurement processes commencing from this date.

14.2 - Should the Municipality decide to extend any current contract concluded prior to 01 July 2019 then such contract must be amended to comply with the Regulations and this Policy.