

# **EMTHANJENI MUNICIPALITY**



## **COST CONTAINMENT POLICY**

**2022/2023 FINANCIAL YEAR**

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## **1. Preamble**

This policy document seeks to implement National Treasury Regulations No. 42514 dated 07 June 2019, titled Municipal Cost Containment Regulations.

The measures contained herein must be implemented, consistently with immediate effect to ensure the containment of costs.

## **2. Object of the Cost Containment Policy**

The object of the Cost Containment Policy, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Municipal Finance Management Act and the Municipal Cost Containment Regulations, is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

## **3. Application**

The Policy applies to all officials and political office bearers in the municipality.

## **4. Legislative Framework**

This policy must be read in conjunction with the -

- The Municipal Finance Management Act;
- Municipal Cost Containment Regulations, 2019; and
- The Municipal Travelling and Subsistence policy.

## **5. Definitions**

In these Regulations, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and- "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 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 these regulations; and

**"credit 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"** Emthanjeni Local Municipality

**"Regulations"** means Municipal Cost Containment Regulations

**"Policy"** means Municipal Cost Containment Policy

**"Accounting Officer"** means Municipal Manager

**"HOD"** means Head of Department or Director

**"CFO"** means Chief Financial Officer

## **6. Use of consultants**

- 6.1. The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the affected municipality does not have the requisite skills or resources in its full -time employ to perform the function.
- 6.2. The 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.
- 6.3. 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 -regulation (2).
- 6.4. When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.
- 6.5. 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- 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 supply chain management policy; and
  - f. develop consultancy reduction plans to reduce the reliance on consultants.
- 6.6. All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 6.7. The 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.
- 6.8. 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.
- 6.9. 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.

*In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants:-*

- All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Accounting Officer, based on a motivation from the HOD concerned endorses the procurement process.
- Senior Managers must review the utilization of consultants in their respective directorates to determine if their continued services are still required.
- Requests for extension of consultants' contracts of appointment must be motivated in writing to the Accounting Officer, and he/she may in turn instruct the HOD to table an item via the bid committee system to make recommendations in this regard.
- Any SLA or contract signed with consultants, must include:
  - Penalty clauses for poor performance;
  - Clauses that deal with skills transfer;
  - Period of the contract must be clearly stated, amongst other pertinent clauses.
- Directorates who deal with consultants must ensure compliance with the National Treasury instruction, as it relates to disbursements for travelling and accommodation for consultants.
- The Accounting Officer must give instructions to all directorates to develop a consultancy reduction plan, indicating how the directorates intend to comply with the National Treasury instruction.
- Develop and implement a policy for the appointment of consultants which seeks to ensure that the services of consultants are only utilised where the municipality not have the requisite skills or resources in its full -time employ to perform the function.

## **7. Vehicles used for political office –bearers**

- 7.1. 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.
- 7.2. The procurement of vehicles in sub -regulation (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 7.3. Before deciding to procure a vehicle as contemplated in sub -regulation (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 -regulation (1);
  - c. extent of service delivery backlogs;
  - d. terrain for effective usage of the vehicle; and
  - e. any other policy of council.
- 7.4. If the rental referred to in sub -regulation (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 7.5. Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

- 7.6. Notwithstanding sub -regulation (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.
- 7.7. The accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

## **8. Travel and subsistence**

- 8.1. The accounting officer -
- 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
  - 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.
- 8.2. 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.
- 8.3. Notwithstanding sub -regulation (1) or (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 a political office bearer with a disability or a medically certified condition.
- 8.4. The cost containment policy must limit international travel to meetings or events that are considered critical. 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.
- 8.5. 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 –
- 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.
- 8.6. An official or a political office bearer of a municipality must –
- utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
  - 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.
  - not hire vehicles from a category higher than Group B or an equivalent class; and
  - 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.
- 8.7. 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.

*In implementing the aforementioned instruction, the following control measures are applicable as it relates to Travel and Subsistence:-*

- Senior Managers must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling. Travelling must be prioritised and only be undertaken for critical events or meetings and where the benefit for the municipality is justified.
- Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable. The **“Travel Request Form”** must be used for this purpose.
- Senior Managers must check with the CFO to confirm if there is available budget before approval of the trip.
- **Travelling to outside the province must be pre-approved by the Accounting Officer before the employee can embark on them.**
- Upon return to the municipality, officials must submit to his/her Senior Managers, the attendance register of the meeting as well as a written report on the outcome of the meeting and the benefit for the municipality. **In the event of the employee failing to submit these documents, the travelling claim paid will be recovered from the official.**
- The respective Senior Managers should exercise control over the distances travelled. Senior Managers must ensure that the kilometres claimed are the actual kilometres travelled.
- Employees who are found to have overstated their kilometres claim by the Auditor General must repay the amount classified as overstated back to the municipality.

## **9. Domestic accommodation**

- 9.1. 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 from time to time by the National Treasury through a notice.
- 9.2. **Overnight accommodation may only be booked where the return trip exceeds 300 kilometres.**

*In implementing the aforementioned instruction, the following control measures are applicable as it relates to Accommodation:-*

- The CFO must inform the Accounting Officer of any changes to the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury. The Accounting Officer shall grant approval for any amendment in the rates and the Municipal Council will be informed thereof at the next Council meeting.

## **10. Credit cards**

- 10.1. The 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.
- 10.2. 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. Sponsorships, events and catering

- 11.1. The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the accounting officer is obtained.
- 11.2. The accounting officer **may** incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that **exceed five hours**.
- 11.3. Entertainment allowances of qualifying officials **may not** exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- 11.4. The municipality **may not** incur expenses on alcoholic beverages.
- 11.5. The 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**.
- 11.6. 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.
- 11.7. No expenditure will be incurred to host farewell functions of officials.

*In implementing the aforementioned instruction, the following control measures are applicable as it relates to Sponsorships, events and catering:-*

- Apart from tea and coffee, no catering and refreshments will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
- At the discretion of the Accounting Officer, catering and refreshments may only be provided at meetings with other spheres of government (Provincial/National) or external stakeholders, after budget availability has been confirmed by the CFO. The relevant HOD must submit a detailed submission in writing to the Accounting Officer requesting approval for catering. The submission should contain details regarding the meeting/ event and its attendees, purpose of the meeting, cost implications, and be supported with adequate motivating factors.
- No farewell functions for officials will be funded from the Municipal budget.
- Catering for municipal events or celebrations, e.g. Mandela Day Celebrations, must be approved by the Accounting Officer prior to the event being held.
- **Social events, team building exercises, year -end functions, sporting events and budget vote dinners will not be financed from the municipality's budget or by any suppliers or sponsors.**



## **12. Communication**

- 12.1. The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 12.2. The accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the accounting officer in the Telephone policy of the municipality.
- 12.3. 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.
- 12.4. The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **13. Conferences, meetings and study tours**

- 13.1. The accounting officer must establish policies and 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.
- 13.2. 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 –
  - 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.
- 13.3. The 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.
- 13.4. The benchmark costs referred to in sub -regulation (3) may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 13.5. The amount referred to in sub -regulation (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.
- 13.6. 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.
- 13.7. The accounting officer of the 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.

**13.8. 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.**

13.9. 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 sub - regulation (2).

13.10. 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.

*In implementing the aforementioned instruction, the following control measures are applicable as it relates to Conferences, meetings and study tours:-*

- Conferences, seminars and workshops may be attended by Officials and Councillors, but only when absolutely necessary.
- Prior to attending a conference, meeting or study, the relevant official or political office bearer, must submit the **“Travel Request Form”** to the relevant HOD for approval. The form should include details regarding the meeting or conference, number of delegates who will attend, motivation in support of the conference or meeting, the benefits for the municipality as a result of attendance and cost implications. The HOD concerned must provide approval for such request. In the case of Senior Managers, the Accounting Officer must provide such approval, and in the case of the Accounting Officer, the Mayor will provide approval. **The HOD concerned must submit a motivation to the Accounting Officer, outlining the absolute necessity for attendance. The HOD concerned must submit a motivation to the Accounting Officer, if the number of required attendees exceeds two delegates from the Municipality.**
- The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, must be restricted to two delegates.
- Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable.
- Budget availability must be confirmed by the CFO, in the first 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 Accounting Officer.**
- Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
- 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 Accounting Officer, where local municipal venues or facilities at other government institutions are not available.
- Budget availability must be confirmed by the CFO in the first instance, prior to the Accounting Officer approving the use of external venues.

#### **14. Other related expenditure items**

14.1. 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.

14.2. 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.

- 14.3. 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.
- 14.4. The municipality must avoid expenditure on elaborate and expensive office furniture.
- 14.5. 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.
- 14.6. 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.
- 14.7. The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

*In implementing the aforementioned instruction, the following control measures are applicable as it relates to other related expenditure items:-*

**a) 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.
- Planned overtime must be submitted to management for consideration on a monthly basis.
- **Authority to work overtime in excess of 40 hours per month, must be obtained from the Accounting Officer prior to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).**
- The relevant HOD must ensure that overtime worked in excess of 40 hours, was authorised by the Accounting Officer prior to the actual overtime being worked.
- Encourage staff to take time off to make up for overtime worked.
- Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

**b) Telephone costs**

- The Council's policy relating to payment for private calls must be fully enforced by all Directorates.
- The cost of 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' salaries.
- Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount.
- Printing of documents should carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.

### **c) Fuel**

- In order to curb fuel expenditure, the municipality should implement a vehicle tracking system to be utilised by the Directorates to monitor usage and curb abuse of municipal vehicles and excessive fuel consumption.
- Exception reports on fuel consumption must be analysed monthly for possible abuse.

### **d) General**

- Every effort must be made to recover debt from consumers before write-off. Avoid the excessive usage of debt collectors and improve the internal capacity for debt collection.
- Ensure synergy between municipal divisions or departments to avoid duplication of processes and efforts.
- Where possible the warranties on transport assets and computer equipment should be extended instead of procuring new ones.
- Ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.

## **15. Enforcement Procedures**

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 the regulations 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.

## **16. Disclosures of cost containment measures**

- 16.1. 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.
- 16.2. 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.
- 16.3. The reports referred to in sub -regulation (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.

## **17. Monitoring and Evaluation**

- 17.1. SENIOR MANAGERS are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.
- 17.2. The SENIOR MANAGERS must report on the implementation of the CCP, to the Portfolio Committees and the Executive Committee on a quarterly basis.

## **18. Effective date**

This policy will take effect on the 01 July 2022.