

THABA CHWEU LOCAL MUNICIPALITY



DRAFT COST CONTAINMENT POLICY

THABA CHWEU

LOCAL MUNICIPALITY

COST CONTAINMENT POLICY

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1. DEFINITIONS

“act” Means the 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” means measures implemented to curtail spending in terms of this policy

“municipality” Thaba Chweu Local Municipality

2. PURPOSE OF THE POLICY

- (1) The purpose of the policy is to regulate spending and to implement cost containment measures at Thaba Chweu Local Municipality.
- (2) The Municipality must manage its financial and administrative resources in such a manner as to meet and sustain statutory or social obligations

3. OBJECTIVES OF THIS POLICY

- (1) To ensure that the resources of the municipality are used effectively, efficiently and economically;
- (2) To implement cost containment measures.

4. SCOPE OF THIS POLICY

This policy will apply to all:

- (1) Political Office Bearers
- (2) Municipal Officials

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the –

- (1) Municipal Cost Containment Regulations 2019; and
- (2) Municipal Travelling and Subsistence policy.
- (3) Travelling and Subsistence policy

6. POLICY PRINCIPLES

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

- (1) Use of consultants
- (2) Vehicles used for political office-bearers
- (3) Travel and subsistence
- (4) Domestic accommodation
- (5) Credit cards
- (6) Sponsorships, events and catering
- (7) Communication
- (8) Conferences, meetings and study tours
- (9) Any other related expenditure items

7. USE OF CONSULTANTS

- (1) Consultants may only be appointed 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.
- (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
- (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-paragraph (2).

- (4) When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.
- (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;
 - e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy;
 - f) develop consultancy reduction plans to reduce the reliance on consultants.
- (6) All contracts with consultants must include a fee retention or penalty clause for poor performance.
- (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.
- (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.
- (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

- (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.

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

9. TRAVEL AND SUBSISTENCE

- (1) The 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;
 - (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.
- (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.
- (3) Notwithstanding sub-paragraph (1) or (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.
- (4) International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.
- (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 in that particular geographical area.
- (6) An official or a political office bearer of a municipality must
 - (a) utilise the municipal fleet, where viable, before incurring costs to hire
 - (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;
 - (iii) the cost of parking.
 - (c) not hire vehicles from a category higher than Group B or an equivalent class;
 - (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

- (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

- (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.
- (2) Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.
- (3) The Accounting Officer, or the Executive Mayor in the case of the Accounting Officer, may approve overnight accommodation, where the return trip is less than 500 kilometres, if road or any other conditions could jeopardise the safety of officials and councillors, or if overnight accommodation is cheaper than the travelling expenses payable under the Travelling and Subsistence Policy of council.

11. CREDIT CARDS

- (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, including members of the board of directors of municipal entities.
- (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.

12. SPONSORSHIP, EVENTS AND CATERING

- (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.
- (2) An accounting officer may incur catering expenses for the hosting of

- I. meetings,
 - II. conferences,
 - III. workshops,
 - IV. courses,
 - V. forums,
 - VI. recruitment interviews, and
 - VII. proceedings of council that exceed five hours.
- (3) Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- (4) The municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.
- (5) 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:
- I. staff year-end functions
 - II. staff wellness functions
 - III. attendance of sporting events by municipal officials
- (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.
- (7) The 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

- (1) The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- (2) Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website.

(3) 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 **applicable policy of the municipality**.

(4) 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.

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

(6) Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

14. CONFERENCES, MEETINGS AND STUDY TOURS

(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.

(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

- 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 addresses relevant concerns of the institution;
- III. the appropriate number of officials or political office bearers, not exceeding
- IV. three, attending the conference or event; and
- V. the availability of funds to meet expenses related to the conference or event.

(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.

- (4) The benchmark costs referred to in sub-paragraph (3) may not exceed an amount as determined from time to time by the National Treasury through a notice.
- (5) The amount referred to in sub-paragraph (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.
- (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.
- (7) Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- (8) 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.
- (9) 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.
- (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 sub-paragraph (2).
- (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.

15. OTHER RELATED EXPENDITURE ITEMS

- (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.
- (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.

- (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.
- (4) The municipality must avoid expenditure on elaborate and expensive office furniture.
- (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.
- (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.
- (7) The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

16. ENFORCEMENT PROCEDURES

- (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.

17. DISCLOSURES OF COST CONTAINMENT MEASURES

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

- (3) The reports referred to in sub-paragraph (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

- (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. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- (1) Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- (2) The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- (3) If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- (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.
- (5) The accounting officer must table the report with recommendations to the municipal council.
- (6) Subject to the outcome of the council decision the accounting officer must implement the recommendations.

20. SHORT TITLE AND COMMENCEMENT

This policy shall be called the Cost Containment Policy of the Thaba Chweu Local Municipality.