MSUNDUZI MUNICIPALITY

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The Msunduzi Municipality

COST CONTAINMENT POLICY

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1. Definitions

In this policy, 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 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 or municipal entity 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 this policy; 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.

2. Purpose

The purpose of the cost containment policy is to regulate spending and to ensure compliance with the cost containment regulations as promulgated by National Treasury form time to time.

3. Objective Of The Policy

The objective of the policy is to ensure that resources of the municipality are used efficiently, effectively and economically by implementing cost containment measures.

4. Application Of The Policy

This policy apply to all officials and political office bearers in the municipality.

5. Legislative Framework

This policy must be read in conjunction with the-

a) Municipal Finance Management Act 56 of 2003;
b) Circular 82 published on 7 December 2016;
c) Municipal Cost Containment Regulations 2019;
d) Travelling and Subsistence Policy;
e) Appointment of Consultants Policy; and
f) Supply Chain Management Policy and its regulations.

6. Scope Of The Policy

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

a) Use of consultants
b) Vehicles used for political office bearers
c) Travel and subsistence
d) Domestic Accommodation
e) Credit cards

f) Sponsorships, events and catering
g) Communication
h) Conferences, meetings and study tours
i) Security cost
j) 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. 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 Fees 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 (7.2)
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 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;
    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, 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-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.
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 that that contemplated in sub section (8.1);
   c) extent of service delivery backlogs;
   d) terrain for effective usage of the vehicles; and
   e) any other policy of council.
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.
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-section (8.5), a vehicle for official use by political officer bearers can be replaced before the completion of 120 000 kilometres 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. An accounting officer must ensure that there is a policy (fleet management policy) that addresses the use of municipal vehicles for official purposes.

9. **Travel And Subsistence**

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.
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-section (9.1) or (9.2) an 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.
4. The number of officials or political office bearers attending international 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.
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.

6. An official or a political officer bearer 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 vehicles, (ii) the cost of kilometres claimable by the official or political office bearer, and (iii) the cost of parking.
   c) not hire a vehicles from a category higher than Group B or an equivalent class; and
   d) where a different class of vehicles is required for a particular terrain or cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.
7. For flights and accommodation must utilised rates negotiated by National Treasury as communicated from time to time through 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.

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 officer bearer.
2. Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political office bearers must use their personal credit cards or cash or arrangements made by the municipality and request reimbursement in accordance with the written approval policy and processes.

12. **Sponsorship, Events And Catering**

1. Catering expenses for meetings which are only attended by persons in the employ of the municipality may not be incurred without a prior written approval of the accounting officer.
2. An 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.
3. Entertainment allowances of qualifying officials may not exceed two thousand rand (R2 000) per person per financial year, unless approved otherwise by the accounting officer.
4. Expenses may not be incurred on alcohol beverages unless if such cost are going to be recovered from sale of such beverages.
5. An 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 or by any suppliers or sponsors.
6. Expenditure may not be incurred on corporate branded items and sponsorships like clothing or goods for personal use of officials, other than uniforms, office suppliers, and tools

of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
7. An 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. As far as possible municipal related events must be advertised on the website instead of advertising in magazines or newspapers.
2. An 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 cell phone allowance policy of the municipality.
3. All 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.
4. For all mobile communication services, the municipality must participate in the transversal term contract arranged by the National Treasury.

14. **Conferences, Meetings And Study Tours**

1. An 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 –
   a) the officials or political officer bearers 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.
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.
4. The benchmark costs referred to in sub-section (14.3) above 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-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.
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. 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.

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.
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).
10. A 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. Security Services

1. Fully utilize internal security staff to secure council property and fill all vacant positions for the unit to be effective.
2. Utilise internal staff for VIP protection for officials and political office bearers. Subject to the Gazette from Provincial COGTA as published annually.

16. 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 minister responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
4. Expenditure on elaborate and expensive office furniture must be avoided at all cost.
5. Only the services of the South African Police Service must be utilised to conduct periodical or quarterly security threat assessments of political office bearers and key officials and report must be submitted to the speaker's office.
6. Consideration must be given for providing time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration and approval on a monthly basis. A clear and detailed motivation for all unplanned overtime must be submitted to the accounting officer.
7. The accounting officer must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.
8. Catering (Burned completely).
9. Attendance to Conferences and Seminars (be limited to at least 3 employees and must be sanctioned by the Accounting Officer)
10. Sponsorships and Events (be burned and any current agreements for sponsorships be revisited with an intention to terminate)
11. Acquisition of Furniture and Equipment (Deferred until cash flow improves) except on new appointments where tools of trade are necessary.
12. Purchasing of Vehicles an assessment of the utilisation and condition of current fleet be undertaken before new vehicles can be acquired.
13. All employees that have permission to take municipal vehicles home after hours be requested to return them and reapply for such permission and request be approved by the IFC. This will reduce fuel cost.
14. Renovation of Offices (be placed on hold unless if it is a health and safety issue and must be supported by the health and safety committee resolution)
15. Limit overtime to the legal limit of 40 hours a week and fill vacancies.

17. Enforcement Procedures

1. Failure to implement or comply with this policy may result in any official or political officer 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 a political office bearers as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

18. Disclosure of Cost Containment Measures

1. The disclosure of cost containment measures must be included in the municipal in-year budget reports and annual costs savings disclosure 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 Committee for further recommendations and actions.
3. The report referred to in sub-section (18.2) must be copied to the National Treasury and the Provincial Treasury within seven calendar days after the report is submitted to municipal council.