



SALDANHA BAAI
BAY
MUNISIPALITEIT | MUNICIPALITY | uMASIPALA

COST CONTAINMENT POLICY

For implementation as from 1 July 2020

*(The Local Government: MFMA Municipal Cost Containment Regulations, 2019 is effective
from 1 July 2019)*



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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 No. 56 of 2003);

“Accounting Officer” means the Municipal Manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act no.117 of 1998), and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“Catering” means the provisioning of a meal at a formal sit-down and dine, but, excludes **“refreshments”**;

“Councilor” means a member of Council;

“Consultant” means a professional person, individual, partnership, corporation, or a company appointment to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality or municipal entity 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;

“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;

“Delegated official” means any person or committee delegated with authority by the municipality in terms of the provisions of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“Delegation” in relation to a duty, includes an instruction or request to perform or assist in performing a duty the duty, and “delegate” has a corresponding meaning;

“Economical” means the cost of the resources consumed versus the value of the output obtained, i.e. it is about receiving value for money;

“Effective” means that you are successful or achieving the required results, i.e. it is about doing the right things;

“Efficient” means that you are performing or functioning in the best possible manner with the least waste of time and effort, i.e. it is about doing things right;

“Official” means an employee of Saldanha Bay municipality responsible for carrying out a duty or function or exercising any power in terms of this policy and includes any employee delegated to carry out or exercise the duty, function or power;

“Political Office Bearer” means the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or member of the executive or mayoral committee as referred to in the Municipal Structures Act;

“Return trip” means a trip from one place to another place/s and back to where you started from;

“Refreshments” mean light snacks and/or drinks that is provided during meetings or events.

“Social event” means an event involving a public performance, or where entertainment is provided, or a competition where a winner is selected, or a team building exercise, or a year-end function, or a sporting event, or budget vote diners. It excludes events where recognition is given to employees for achievements.

2. Objective of policy

- 2.1. The objective of this policy, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act, is to ensure that resources of the municipality are used economically, effectively and efficiently by implementing cost containment measures.
- 2.2. Each requirement in this policy should be measured against the 3 pillars of effectiveness, efficiently and economical.

3. Application of the cost containment policy

- 3.1. This policy shall apply to all municipal officials, political office bearers and councillors of the Saldanha Bay municipality.

4. Cost containment policy

- 4.1. The policy shall be reviewed annually as part of the budget process.
- 4.2. The policy shall be communicated on the municipality's website.
- 4.3. Included in the policy is measures to monitor the implementation and the consequences for the non-adherence thereof.
- 4.4. Attached as annexures are template documents to assist in the compliance to the policy.
- 4.5. The policy must be read in conjunction with:
 - a) The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
 - b) The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) – Municipal Cost Containment Regulations, 2019;
 - c) The Municipal Finance Management Act, Act 2005 (Act No. 56 of 2003), Circular 82, published on 7 December 2016
 - d) The By-Laws of Saldanha Bay municipality; and
 - e) The policies of Saldanha Bay municipality.

5. Use of consultants

- 5.1. 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. Attached to the policy is **Annexure A** that provides a template document how to complete the needs assessment report which must be submitted to the Bid Specification Committee prior to the advertising of a tender for consulting services.
- 5.2. Consultants may only be remunerated at the rates equal to or below those –
 - a) determined in the “Guidelines on fees for audits done on behalf of the Auditor-General South Africa”, issued by the South African Institute of Chartered Accountants (SAICA);

- b) set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA); or
 - c) prescribed by the body regulating the profession of the consultant i.e. ECSA guidelines.
- 5.3. 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 paragraph 5.2 above.
- 5.4. When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- 5.5. When consultants are appointed, the accounting officer, delegated official or committee 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 a clear specification of deliverables 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 the municipality;
 - e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations and the municipality’s Supply Chain Management policy; and
 - f) Develop consultancy reduction plans to reduce the reliance on consultants.
- 5.6. All contracts with consultants must include fee retention or penalty clause/s for poor performance.

- 5.7. The tender specifications and vendor performance must be used as a monitoring tool for the work to be undertaken and must be appropriately recorded and monitored.
- 5.8. The contract price must specify all travel and subsistence costs. 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.
- 5.9. The requirements of paragraphs 5.1 – 5.7 above is only applicable if a tender process is followed where the costs will exceed R200 000.

6. Vehicles used for political office-bearers

- 6.1. The threshold limit for vehicle purchases relating to official use by political office-bearers may 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.
- 6.2. The procurement of vehicles in paragraph 6.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 6.3. Before deciding on another procurement process as contemplated in paragraph 6.2, 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 paragraph 6.1;
 - c) Extent of service delivery backlogs;
 - d) Terrain of effective usage of vehicles; and
 - e) Any other policy of council.

- 6.4. If the rental referred in paragraph 6.3 is preferred, the accounting officer must review the cost incurred regularly to ensure that value for money is obtained.
- 6.5. Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.
- 6.6. Notwithstanding paragraph 6.5, the municipality may replace vehicles for official use by public office bearers before completion of one hundred and twenty thousand kilometres only in instances with 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. Travel and subsistence

7.1. Flight tickets

- a) The accounting office or delegated official may approve the purchase of economy class tickets for officials where the flying time for the flights is five hours or less; and
 - b) The accounting officer may only approve the purchase of business class tickets for officials, political office bearers, councillors and persons reporting directly to the accounting officer for flights exceeding 5 hours.
- 7.2. In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is 5 hours or less and business class tickets for flights exceeds 5 hours.
 - 7.3. Notwithstanding paragraph 7.1 and 7.2, an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official, a political office bearer or a councillor with a disability or a medically certified condition.
 - 7.4. International travel for meetings or events must be limited 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, political office bearers or councillors directly involved in the subject matter related to such meetings or events.

- 7.5. The accounting officer, or mayor in the case of the accounting officer, may approve accommodation cost 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.
- 7.6. An official, political office bearer or councillor of the 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 employee; and
 - 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;
 - e) Do a cost comparison between the cost to hire a Group B vehicle versus the cost of available public transport or shuttle service. This comparison must be included in the quotation received from the travel agent.
- 7.7. The municipality must utilise the negotiated rates for flights and accommodation as communicated by the National Treasury from time to time through a notice or any other available cheaper flight and accommodation.
- 7.8. Paragraph 7 of this policy must be read in conjunction with other policies of the municipality, especially the following:

(a) Subsistence and travel policy;

(b) Transport policy; and

(c) International Relations policy.

7.9. Where there is a contraction with other policies, this cost containment policy will prevail.

8. Domestic accommodation

8.1. The accounting officer must ensure that costs incurred for domestic accommodation and meals does not exceed the maximum allowable rates for domestic accommodation and meals, as communicated by the National Treasury, from time to time through a notice. See attached **Annexure B1 and B2** that provides the list of these rates at the time when the policy was adopted by Council. Accommodation cost may not exceed the rates in this document.

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

8.3. The following circumstances permits the accounting officer or delegated official to approve overnight accommodation where the return trip is less than 500 km:

(a) A cost-benefit calculation was performed that proves that it is more beneficial or negligible to book overnight accommodation. Negligible is if there is a cost differential of less than 15% between alternatives. Attached as **Annexure C1 and C2** is a template document and calculation to be completed for consideration.

(b) There is a risk to the health of the official, public office bearer and councillor. A memorandum must be prepared and submitted for consideration. Attached as **Annexure D** is a template document to be completed for consideration.

9. Credit cards

- 9.1. The accounting officer must ensure that no credit card or debt card linked to a bank account of the municipality is issued to any official or public office bearer.
- 9.2. Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials or public officer bearer must use their personal credit cards or cash, or arrangements made by the municipality, and request reimbursement in accordance with relevant written approved policy and processes of the municipality.

10. Sponsorships, events and catering

- 10.1. No catering expenses may be incurred 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. See attached **Annexure E** that must be completed in this instance.
- 10.2. The accounting officer may incur catering expenses for hosting of meetings, conferences, workshops, courses, forums, recruitment interviews and proceedings of council that exceeds five hours. A delegated official may incur expenses for refreshments, but only if it is provided to third parties also, i.e. catering for internal consumption is not allowed.
- 10.3. Entertainment allowances of officials may not exceed R2 000 per person per financial year, unless approved otherwise by the accounting officer, and in the case of the accounting officer, the mayor.
- 10.4. Expenses on alcoholic beverages may not be incurred, unless the cost thereof is recovered by the municipality.
- 10.5. 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 or by any suppliers or sponsors.
- 10.6. No expenditure may be incurred on corporate branded items such as 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.

10.7. The accounting officer may incur expenditure not exceeding the limits for petty cash usage, in this case R300, 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.

11. Communication

11.1. The municipality must, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers. If it is a regulated requirement it must be advertised in printed form.

11.2. All private telephone calls must be recovered. The telephone policy of the municipality must be followed in this regard.

11.3. Newspapers and other related publication 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.

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

12. Conferences, meetings and study tours

12.1. The accounting officer, or in the case of the accounting officer, the mayor, must manage application by officials to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa considering their merits and benefits, costs and available alternatives. See attached **Annexure F** that must be completed and approved prior to the attendance of a conference or event.

12.2. When considering applications from officials or public 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 public 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, not exceeding three officials, attending the conference or event; and
 - d) The availability of funds to meet expenses related to the conference or event.
- 12.3. The accounting officer may consider appropriate benchmark cost 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.
- 12.4. The cost to attend a conference or an event hosted by professional bodies or non-governmental institutions may not exceed R2 500 per person per day.
- 12.5. The amount referred to in paragraph 12.4 excludes costs related to travel, accommodation and related expenses, but includes –
- a) Conference or event registration expenses; and
 - b) Any other expenses incurred in relation to the conference or event.
- 12.6. 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.
- 12.7. 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.
- 12.8. 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.
- 12.9. The accounting officer must grant the approval for officials, and in the case of political office bearers, councillors and the accounting officer, the mayor, as contemplated in paragraph 12.2.
- 12.10. 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.

13. Other related expenditure items

- 13.1. 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.
- 13.2. 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.
- 13.3. Expenditure on tools of trade for political office bearers and councillors 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.
- 13.4. The municipality must avoid expenditure on elaborate and expensive office furniture.
- 13.5. The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security treat assessments of political office bearers, councillors and key officials and a report must be submitted to the speaker's office.
- 13.6. The municipality may consider providing additional time-off in lieu of payment for overtime work. Planned overtime must be submitted to the relevant manager for consideration monthly. A motivation for all unplanned overtime must be submitted to the relevant manager.
- 13.7. The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation cost.

14. Enforcement procedures and consequence management

- 14.1. Failure to implement or comply with this policy may result in any official of the municipality, political office bearer and councillor 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 and councillors as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

- 14.2. The expenditure incurred contrary to this policy will also be measured against the definitions of unauthorised, irregular and fruitless and wasteful expenditure.
- 14.3. Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality or delegated official.
- 14.4. The accounting officer must consider the allegations and determine whether to investigate and if disciplinary steps should be instituted.

15. Disclosures of cost containment measures

- 15.1. 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.
- 15.2. 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 municipal council for review and resolution. The municipal council can refer such reports to an appropriate council committee for further recommendations and actions.
- 15.3. The reports referred to in paragraph 15.2 must be copied to the National Treasury and Western Cape Provincial Treasury within seven calendar days after the report is submitted to the municipal council.