



CENTRAL KAROO DISTRICT MUNICIPALITY

COST CONTAINMENT POLICY

2023/2024

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1. PREAMBLE

1.1 Each municipality must develop or revise and implement a cost containment policy which must -

- a) be adopted by the municipal council as part of its budget related policies;
- b) define a municipality's objectives for the use of consultants; and
- c) be consistent with the relevant legislation.

1.2 The cost containment policy of a municipality contemplated in 1.1 *supra* must -

- a) be in writing;
- b) give effect to the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019 (Notice 317 of 2019);
- c) be reviewed annually, as may be appropriate;
- d) be communicated on the municipality's website; and
- e) set out –
 - i) monitoring measures for ensuring implementation of the policy;
 - ii) procedures for the annual review of the policy; and
 - iii) consequences for non -adherence to the measures contained therein.

1.3 This policy document seeks to implement National Treasury Instructions and MFMA Circulars applicable to Cost Containment, as set out in 1.1 and 1.2 *supra*.

1.4 The object of the 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 effectively, efficiently and economically by implementing the cost containment regulations.

- 1.5 The following measures must be implemented, consistently with immediate effect to ensure the containment of costs, and will be updated if and when any revisions are done to the applicable legislation.

2. APPLICABLE LEGISLATION

- 2.1 Local Government: Municipal Systems Act, 32 of 2000;
- 2.2 Basic Conditions of Employment Act, 75 of 1997;
- 2.3 National Treasury Instruction, No. 04 of 2017/2018;
- 2.4 SAICA Guidelines for Fees;
- 2.5 Tariffs as determined by the Department of Transport /AA SA Rates;
- 2.6 Remuneration of Public Office Bearers Act, 20 of 1998: Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils;
- 2.7 Overtime Policy;
- 2.8 SALGBC Collective Agreements; and
- 2.9 Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019 (Notice 317 of 2019)

3. DEFINITIONS

- 3.1 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 –

3.1.1 **“Act”** Means the Local Government: Municipal Finance Management Act, 56 of 2003;

3.1.2 **“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 to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

3.1.3 **“Cost Containment”** means measures implemented to curtail spending in terms of this policy; and

3.1.4 **“Credit Card”** means a card issued by a financial provider, which creates a revolving account and grants a line of credit to the cardholder.

4. APPLICATION OF POLICY

4.1 This policy shall apply to all officials and political office bearers in municipalities.

5. USE OF CONSULTANTS

5.1 Measures:

5.1.1 A 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, **for appointments exceeding R 500 000.**

5.1.2 The reasons for the use of the consultants must be motivated by the Senior Manager concerned and endorsed by the Accounting Officer, in writing.

5.1.3 The remuneration framework of the Municipality will be-

- 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.

5.1.4 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 5.1.2 *supra*.

- 5.1.5 When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market –determined rates.
- 5.1.6 When consultants are appointed, an accounting officer must, where practical –
- a) appoint consultants on a time and cost basis with specific start and end dates;
 - b) 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’s supply chain management policy; and
 - f) develop consultancy reduction plans to reduce the reliance on consultants.
- 5.1.7 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 5.1.8 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.
- 5.1.9 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.
- 5.1.10 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.

5.1.11 These provisions will only apply to contracts entered into and tender processes started after the approval of the Policy by Council.

5.2 Controls:

5.2.1 The use of consultants must be reviewed and curtailed.

5.2.2 All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Senior Manager concerned, endorses the procurement process.

5.2.3 Senior Managers must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.

5.2.4 Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Senior Manager to table an item via the Bid Committee system to make recommendations in this regard.

5.2.5 Any SLA or contract signed with consultants, must include:

- a) penalty clauses for poor performance,
- b) clauses that deal with skills transfer,
- c) period of the contract must be clearly stated, amongst other pertinent clauses.

5.2.6 Directorates who deal with Consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.

5.2.7 The Municipal Manager must give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

6. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 6.1 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.
- 6.2 The procurement of vehicles in 6.1 *supra* must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms; other procurement mechanisms may also be used should the transversal contract mechanism be proven to be too onerous or vehicles available on the contract will not be serviceable within a 100 km distance of the municipality.
- 6.3 Before deciding to procure a vehicle as contemplated in 6.2 *supra*, 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 through a cash purchase or a lease transaction, provided that the most cost-effective option is followed and the cost is equivalent to or lower than that contemplated in 6.1 *supra*;
 - c) extent of service delivery backlogs;
 - d) terrain for effective usage of the vehicle; and
 - e) any other policy of council.
- 6.4 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 6.5 Notwithstanding 6.5 *supra*, 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.

6.6 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

7. TRAVEL AND SUBSISTENCE

7.1 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.

7.2 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.

7.3 Notwithstanding 6.1 and 6.2 *supra*, 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.

7.4 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.

7.5 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.
- c) where the event is hosted on a site where making use of on-site accommodation is more practical, written motivation for the deviation must accompany the requisition for accommodation.

7.6 An official or a political office bearer of a municipality must –

- a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
- b) not hire vehicles from a category higher than Group B or an equivalent class; and
- c) 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.

7.7 The 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.

7.8 The geographical location of the municipality makes the usage of public transport unpractical and this policy therefore deviates from the Regulation relating to the use of public transport.

8. DOMESTIC ACCOMMODATION

8.1 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.

8.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres, **unless it can be proven by the Municipal Manager and Official/ Public Office Bearer that it will be more cost-effective for the Municipality to book domestic accommodation.** The safety of the employee

or Public Office Bearer will also play a cardinal role in the decision to make an overnight booking or not.

9. CREDIT CARDS

9.1 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. The provision on credit cards excludes petrol/garage cards linked to a specific official vehicle.

9.2 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

10. SPONSORSHIPS, EVENTS AND CATERING

10.1 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.

10.2 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 or where the attendees travelled in excess of 100 km to attend.

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

10.4 A municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

- 10.5 An accounting officer must ensure that social events, team building exercises, year –end functions, sporting events are not financed from the municipality’s budgets or by any suppliers or sponsors; specific budgeted staff-wellness events are excluded where the specific events are separately budgeted, disclosed in the budget documentation of the municipality and approved by Council.
- 10.6 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.
- 10.7 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. The petty cash limit is defined as per the limitations of the Supply Chain Management Regulations.

11. COMMUNICATION

- 11.1 The municipality should, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers. No advertisements regarding the general information and functions of the municipality may be placed in any publication at cost.
- 11.2 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, the municipal officer should review the staff receiving allowances and the amounts receivable at least annually.
- 11.3 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.

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

11.5 The Councils policy relating to payment for private calls must be fully enforced by all Directorates and must the cost for private calls be recovered on a monthly basis from the affected official's salary.

12. CONFERENCES, MEETINGS AND STUDY TOURS

12.1 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. Applications for attendance must be completed on the *Nomination/Request form to attend Education, Training and Development Course/Conference/Seminars/Workshops/Symposia/Lecture/Meeting* and duly approved by either the Municipal Manager or the duly delegated senior official.

12.2 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 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.

12.3 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.

- 12.4 The benchmark costs referred to in 12.3 may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 12.5 The amount referred to in 12.4 *supra* 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.
- 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 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.
- 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 consideration for approval for officials must be done by an accounting officer and in the case of political office bearers and the accounting officer, the mayor, as contemplated in 12.2 *supra*.
- 12.10 A municipality must, where applicable and practical, 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, **unless the Municipal Manager, in writing and after doing a cost-analysis of the commodity, service or product to be rendered, can prove**

that it will be more cost-effective or practical to not make use of such a transversal contract.

- 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 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 A municipality must avoid expenditure on elaborate and expensive office furniture.
- 13.5 A 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.
- 13.6 A 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.
- 13.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

14. ENFORCEMENT PROCEDURES

- 14.1 Failure to implement or comply with these Regulations may result in any official of the municipality, political office bearer or director of the board that authorised or incurred any expenditure contrary to these 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.

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 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.
- 15.3 The reports referred to in 15.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.
- 15.4 The reporting referred to in 15.1, 15.2 and 15.3 may be done as per the declaration from the Accounting Officer included in Annexure A that the Cost Containment Regulations and measures was considered and implemented by the municipality, this report will form part of the monthly, quarterly and annual reporting of the municipality. The detailed measures and aggregate amounts saved are not practically reportable at this stage. The reporting measures required in terms of the Policy will be revised on an annual basis.

16. IMPLEMENTATION DATE

- 16.1 This policy will be implemented with effect from 1 July 2019.