

THEMBISILE HANI LOCAL MUNICIPALITY



COST CONTAINMENT POLICY

2024/25

POLICY NO. NEW	APPROVAL DATE:
EFFECTIVE DATE:	REVIEW DATE:

COST CONTAINMENT POLICY	
Policy Number	New policy
Policy Status	New
Date of last Approval/ Reviewable	N/A
Policy review / Development	Policy to be reviewed with the Budget approval process every financial year.
Date of next review	With the Budget approval process in April 2019.
Purpose	Measures implemented to curtail spending in terms of these regulations.
Aims and objectives	The objective of the policy is in line with section 62(1)a and 78(1)b of the MFMA. Act to ensure that the resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.
Policy custodian	Chief Financial Officer
Related policies and legislations	<ul style="list-style-type: none"> ● The Constitution of the Republic of South Africa 1996 ● Municipal Finance Management Act 2003(Act 56 of 2003) ● National Treasury Regulations and Circulars
Approving authority	Council
Applicability	To the Accounting Officer and Chief Financial Officer when evaluating debtors on a regular basis.

Amendments to the Policy	New Policy
Policy Benchmark and references	In terms of National Treasury Circulars and Guidelines.
Stakeholders Consulted	Not Applicable
Accountability	The Municipal Manager is accountable for the proper implementation of this policy in terms of the Municipal Finance Act 2003 (Act. 56 of 2003).

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1. Preamble

The objective of the policy is in line with section 62(1) (a) and 78(1) (b) of the Act to ensure that the resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

2. 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);

“Consultants” means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with design and implementation of projects or to assist the municipality or municipal entity perform its functions to achieve the objectives 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.

3. Travel and subsistence

- (1) An accounting officer-
 - (a) May also approve purchase of economy class tickets for officials where the flying time for the flights is five hours or less; and
 - (b) Flights exceeding five hours, may purchase business class tickets only for the Accounting Officer, and persons reporting directly to the Accounting Officer.
- (2) Notwithstanding sub-section (1), an Accounting Officer may approve the purchase of business class tickets for officials with disabilities.

- (3) The international travel shall be limited to meeting and event that are considered critical. The number of officials shall be limited to those directly involved in the subject matter of the meeting or event.
- (4) The accommodation costs that exceed an amount as determined from time to time by the National Treasury shall be approved by the Accounting Officer only:
 - (a) During peak holiday period; or
 - (b) When major or international events are hosted in a particular geographical area.
- (5) Officials of a municipality must-
 - (a) Utilise municipal fleet, where viable, before incurring costs to hire vehicles;
 - (b) Make use of 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 category higher than Group B or an equivalent class; and
 - (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.
- (6) Municipalities must utilise the negotiated rates for flights and accommodation, communicated by the National Treasury, from time to time, or any other cheaper flight and accommodation.
- (7) Officials travelling to the same destination or meeting must as far as possible travel in one vehicle to the maximum of three people in a vehicle. The Accounting Officer may approve travelling in different vehicles in case where there is risk that may affect business continuity in case of an emergency.

4. Domestic Accommodation

- (1) An Accounting Officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowance rates for domestic accommodation and meals, as communicated by the National Treasury, from time to time.
- (2) Overnight accommodation must be limited to instances where distance travelled by road by the employee exceed 400 kilometres to and from destination, taking into account external factors such as slowing for tolls, traffic, travelling with children, and tiredness.

5. 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 public office bearer, unless approved otherwise by the accounting officer for the office of the executive mayor.

- (2) Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials or public officers/bearers must use their personal credit cards or cash or arrangements made by the municipality, and request reimbursement from the municipality in accordance with the relevant municipality policy and processes.

6. Sponsorships, events and catering

- (1) A Municipality may not incur catering expenses for meetings which are not 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 from hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceeds five hours.
- (3) Entertainment allowances of officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- (4) An accounting officer may not incur expenses on alcoholic beverages.
- (5) An Accounting Officer must ensure that social functions, team building exercises, year-end functions, sporting events, budget vote dinners and other functions that have a social element are not financed from the municipality budgets or by any suppliers or sponsorships.
- (6) A 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.
- (7) The accounting officer may incur expenditure to host farewell functions in recognition of officials who retire after serving the municipal entity for ten or more years or retire on grounds of ill health, not exceeding the limits of Petty Cash usage.

7. Communication

- (1) The Municipality must as far as possible, advertise municipal related events on this website instead of advertising in magazines or newspapers.
- (2) The accounting officer must ensure that allowances to officials for private calls are limited to an amount as determined by the accounting officer from time to time.
- (3) A municipality or municipal entity must participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

8. Conferences, meetings and study tours

- (1) The attendance of conference and events hosted by professional bodies or non-governmental institutions by officials held within and outside the borders of South Africa must be approved take into account their merits and benefits, costs and available alternatives.

- (2) The Accounting Officer must 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.
- (3) Such benchmark costs may not exceed an amount as determined by the National Treasury.
- (4) When considering applications from officials to attend conferences or events within and outside borders of South Africa, an Accounting Officer must take the following into account: -
 - (a) The official'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;
- (8) The appropriate number of officials, not exceeding three officials, attending the conference or event unless the prior written approval of the accounting officer is obtained ; and
 - (c) Availability of funds to meet expenses related to the conference or event.
- (5) The amount referred to in the sub-section (3) above 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 conference or event.
- (7) The accounting officer of a municipality must ensure that meetings and planning sessions that entail 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 may consider granting approval, as contemplated in sub-section (4), for officials, and in case of Councillors, the Mayor.
- (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.

9. Consultants

- (1) A municipality may only appoint consultants if as 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.
- (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 Fee Rates for Consultants, issued by the Department of Public Service and Administration;

- (c) As prescribed by the body regulating the profession of the consultant
- (3) The tender document 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-section (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 date;
 - (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) Develop consultancy reduction plans; and
 - (e) Undertake all engagements of consultants in accordance with Municipal Supply Chain Management Regulations and the municipal Supply Chain Management Policy.
- (6) All contracts with consultants must include fee retention or penalty clause for poor performance.
- (7) The municipality must ensure that the specification and performance, are used as a monitoring tool for the work to be undertaken and is appropriately recorded and monitored
- (8) The travel and subsistence costs of consultants must be in accordance with the 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 cost and, if the travel and subsistence costs for appointment costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the above mentioned travel policy of the National Department of Transport.

10. Vehicles used for the political office bearers

- (1) The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R700 000 or 70% of the total annual remuneration package for different grades, whichever is greater.
- (2) The procurement of vehicles must be undertaken using the National Government Transversal Contract mechanism.
- (3) If any other procurement process is issued, the cost may not exceed the threshold set out in sub-section (1).
- (4) Before deciding on another procurement process as contemplated in sub-section (3), the Chief Financial Officer must provide the council with information relating to the following criteria which must be considered:
 - (a) Status of current vehicles;
 - (b) Affordability;

- (c) Extent of service delivery backlogs;
 - (d) Terrain for effective usage of vehicle; and
 - (e) Any other policy of council.
- (5) Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 odometers.
- (6) Notwithstanding sub-section (5), a municipality may replace vehicles of official use by public office bearers before completion of one hundred and twenty thousand kilometres only in subsistence where the vehicle experiences serious mechanical and in or poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

11. Other related expenditure items

- (1) All commodities, services and products covered by a transversal contract concluded by the National Treasury must be procured through that transversal contract before approaching the market, to benefit the 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 and other inducements as part of, or during election periods.

12. Enforcement procedures

Failure to implement or comply with this policy may result in any official of the municipality, political office bearer that authorised or incurred any expenditure contrary to this policy being held liable for financial misconduct as set out in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

13. Disclosures of cost containment measures

- (1) The disclosure of cost containment measures applied by the municipality and municipal entity must be included in the municipal in-year budget reports and annual costs saving disclosed in the annual report
- (2) The measures implemented and aggregate amounts saved per quarter, together with the regular reports on prioritisation of cost saving, on the implantation of the cost containment measures must be submitted to the municipal Council
- (3) Such reports must be copied to the National Treasury and relevant Provincial Treasuries within seven calendar days after the report is submitted to Municipal Council.

14. Implementation of the cost containment policy

This policy will be implemented and effective once approved by council.

15. Mentoring and evaluation

- (1) This policy shall be reviewed annually
- (2) Tariffs that are applicable to the policy and are published by Treasury from time to time will be published by the Chief Financial Officer when it is published by Treasury.