

ANNEXURE 5



Mogale City

Local Municipality

**COST CONTAINMENT
POLICY**

MAY 2021

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1. DEFINITIONS

“ACT” means **Municipal Finance Management 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 the measures implemented to curtail spending in terms of this policy.

“COUNCIL” means Municipal Council of Mogale City Local Municipality

“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.

“MUNICIPAL MANAGER” means the head of administration and also the Accounting Officer for the municipality

“MSCOA” means Municipal Standard Chart of Accounts

“MUNICIPALITY” Mogale City Local Municipality

2. PURPOSE

The purpose of the policy is to adopt cost containment measures to give effect to Local Government: Municipal Finance Management Act, 2003, Municipal Cost Containment Regulations 2019 within Mogale City Local Municipality.

3. OBJECTIVE OF THE POLICY

The objectives of this policy are to:

- 3.1 ensure that the financial resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures; and
- 3.2 ensure that services delivery mechanisms identified and implemented optimize the provision of basic, social and economic services and enhances the performance of the municipality.

4. APPLICATION OF THE POLICY

This policy applies to all Municipal Councillors and Employees.

5. LEGISLATIVE FRAMEWORK

This Policy must be read in conjunction with the-

- 5.1 Different Regulations published under Municipal Finance Management Act, 56 Of 2003; and
- 5.2 Relevant policies of the municipality

6. SCOPE OF THE POLICY

This policy covers the procurement of the following goods and/or services:

- 6.1 Use of consultants
- 6.2 Vehicles used for political office-bearers
- 6.3 Travel and subsistence
- 6.4 Domestic accommodation
- 6.5 Credit cards
- 6.6 Sponsorships, events and catering
- 6.7 Communication
- 6.8 Conferences, meetings and study tours
- 6.9 Any other related expenditure items

7. USE OF CONSULTANTS

- 7.1 Consultants may only be appointed after conducting an assessment of the needs and requirements.
- 7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.
- 7.3 When consultants are appointed the following should be included in the Service Level Agreements:
 - 7.3.1 Consultants should be appointed on a time and cost basis that has specific start and end dates unless if consultants are appointed on a selection panel of which the specific conditions will be stipulated in line with the relevant industry standards during the assignment of each consultant to a specific project or service;
 - 7.3.2 Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
 - 7.3.3 That the remuneration rates could where necessary be subject to negotiation, not exceeding the applicable rated relevant market-determined rates.
 - 7.3.4 Specify that the contract will include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements; and

- 7.3.5 That consultant may be required to be provided necessary guarantees and securities as well as the municipality may withhold certain portion of the payment as a security and can levy penalties when necessary to do so.
- 7.3.6 That consultants shall ensure the transfer of skills to the relevant officials of a municipality
- 7.4 All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
- 7.5 The municipality shall develop and adopt consultancy reduction plans of different functional areas to reduce the reliance on consultants where it is necessary and cost-effective to execute the services internally.
- 7.6 The performance of the consultant shall be appropriately recorded, monitored and evaluated based on the specifications, schedule and milestones in terms of section 116 of the Act.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 8.1 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 in line with the grade of the municipality 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.
- 8.2 The procurement of vehicles in section 8.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through the normal procurement mechanisms.
- 8.3 If any procurement process other than the transversal contract is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as stipulated in 8.2, the Accounting Officer must provide the council with information relating to the following criteria that must be considered:
 - 8.4.1 Status of current vehicles
 - 8.4.2 Affordability of options to procure a vehicle as compared to rental or hire
 - 8.4.3 Extent of service delivery backlogs
 - 8.4.4 Terrain for effective usage of vehicle
 - 8.4.5 Any other policy of council
- 8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometres only in instances where the vehicle experiences serious mechanical problems and is in a poor condition as confirmed by a detailed mechanical report provided by the vehicle manufacturer or approved dealer.
- 8.7 The Accounting Officer must ensure that there is a Policy that addresses the use of Municipal vehicles for official purposes.

9. TRAVEL & SUBSISTENCE

9.1 An Accounting Officer:

9.1.1 May only approve the purchase of economy class tickets for officials and political office bearers where the flying time for a flight is five (5) hours or less; and

9.1.2 For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for officials, political office-bearers and persons reporting directly to Accounting Officer.

9.2 In the case of the Accounting Officer, the Executive 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.

9.3 Notwithstanding clause 9.1, an accounting officer, or the mayor in the case of 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.

9.4 International travel to meetings or events shall, only be approved if it is considered critical, and only the officials that are directly involved with the subject matter shall be allowed to attend the meeting or event.

9.5 Officials or a political office bearer of the municipality must:

9.5.1 Utilize the municipal fleet, where viable, before incurring costs to hire vehicles while traveling locally;

9.5.2 Make use of a shuttle service if the cost of such a service provider is lower than:

9.5.2.1 the cost of hiring a vehicle;

9.5.2.2 the cost of kilometres claimable by the employee; and

9.5.2.3 the cost of parking.

9.5.3 not hire vehicles from a category higher than Group B; and

9.5.4 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.

9.6 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. DOMESTIC ACCOMMODATION

10.1 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 by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

- 10.2 Overnight accommodation may only be booked where the return trip for the duration of the trip exceeds 500 kilometres.
- 10.3 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-
 - 10.3.1 during peak holiday periods; or
 - 10.3.2 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 guest in that particular geographical area.

11. CREDIT CARDS

- 11.1 An Accounting Officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office-bearer.
- 11.2 Where officials or public office bearers incur expenditure in relation to a preapproved official municipal activity, such officials or public office bearers must use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the written approved policy and processes of Council.

12. SPONSORSHIPS, EVENTS & CATERING

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality unless prior written approval is obtained from the Accounting Officer.
- 12.2 The Accounting Officer may incur catering expenses for the following, if the event exceed five (5) hours:
 - 12.2.1 Hosting of meetings;
 - 12.2.2 Conferences;
 - 12.2.3 Workshops;
 - 12.2.4 Courses;
 - 12.2.5 Forums;
 - 12.2.6 Recruitment interviews; and
 - 12.2.7 Council proceedings
- 12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000.00) per person per financial year, unless otherwise approved by the Accounting Officer.
- 12.4 Expenses may not be incurred on alcoholic beverages.
- 12.5 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. The afore-mentioned excludes service delivery community

orientated social functions as defined in the IDP/Budget and SDBIP of the municipality.

- 12.6 Expenditure may, not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.
- 12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health, the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

13. COMMUNICATION

- 13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 13.4 The acquisition of mobile communication services may be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 Allowances to officials for private calls must be limited in line with the approved Municipal Telephone Policy.
- 13.6 Provision of branded diaries must only be limited to Secretaries and electronic diaries be utilized by other officials.

14. CONFERENCES, MEETINGS & STUDY TOURS

- 14.1 Appropriate Policy must be developed to govern applications by officials or political office bearers to attend conferences or events outside the borders of South Africa.
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials or political office bearers to conferences or events within and outside the borders of South Africa, the Accounting Officer must take the following into account:
 - 14.3.1 The officials'/political office bearers' role and responsibilities and the anticipated benefits of the conference or event;
 - 14.3.2 Whether the conference or event will address the relevant concerns of the municipality;
 - 14.3.3 The appropriate number of officials and/or political office bearer(s) to attend the conference or event, not exceeding three officials; and

- 14.3.4 Availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:
- 14.4.1 Conference or event registration expenses; and
 - 14.4.2 Any other expense incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.
- 14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must 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

- 15.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.
- 15.2 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 the election periods or to fund any activities of any political party at any time.
- 15.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published in the Remuneration of Public Office Bearers Act, 1998.
- 15.4 The Municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.5 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.
- 15.6 The Municipality may, in line with the approved overtime policy consider providing additional time-off in lieu of payment for overtime worked. 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.

- 15.7 The Municipality must ensure that due process is, followed in line with the relevant legislative requirements when suspending or dismissing officials to avoid unnecessary litigation costs.

16. ENFORCEMENT PROCEDURES

- 16.1 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 these stipulated herein be 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.

17. DISCLOSURES OF COST CONTAINMENT MEASURES

- 17.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.
- 17.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization 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.
- 17.3 Such reports referred to in sub-paragraph (17.2) must be copied to the National Treasury and relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION & REVIEW PROCESS

- 18.1 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.
- 18.2 This policy be communicated on the municipality's website and set out-
- 18.2.1 Monitoring measures for ensuring implementation of the policy;

19. MONITORING MEASURES

- 19.1 The Quarterly Cost Containment Report must be discussed at the Administrative Senior Managers meeting, where the contents are discussed and noted;

19.2 Expenditure Division is to work with Budget and Treasury Division so that the report mentioned in sub-paragraph 19.1 details all costs that were incurred in contravention of the policy.

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

20.1 Any person must report an allegation of non-compliance to the cost containment policy to the Accounting Officer of the municipality.

20.2 The Accounting Officer must investigate the allegations and if the allegations are found to be frivolous, speculative or unfounded, terminate the investigations.

20.3 If the Accounting Officer determines the allegations are founded, a full investigation must be conducted.

20.4 After completion of a full investigation, submit a report to the Accounting Officer on:

20.4.1 Findings and recommendations; and/or

20.4.2 Whether disciplinary steps should be taken against the alleged transgressor.

20.5 The Accounting Officer must table the report with recommendations to the municipal council.

20.6 Subject to the outcome of the council decision the Accounting Officer must implement the recommendations.

21. SHORT TITLE

21.1 This policy shall be called the Cost Containment Policy of Mogale City Local Municipality and has taken effect as from the date the Municipal Council approved the Annual Budget.