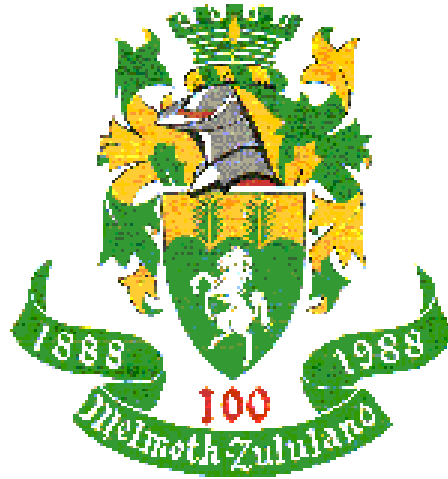


# MTHONJANENI MUNICIPALITY



## COST CONTAINMENT POLICY

## **TABLE OF CONTENTS**

1. Definitions
2. Purpose
3. Objectives of the policy
4. Scope of the policy
5. Legislative framework
6. Policy principles
7. Use of consultants
8. Vehicles used for political office-bearers
9. Travel & subsistence
10. Domestic accommodation
11. Credit cards
12. Sponsorships, events & catering
13. Communication
14. Conferences, meetings & study tours
15. Other related expenditure items
16. Enforcement procedures
17. Disclosures of cost containment measures
18. Implementation & review process
19. Consequences for non-adherence to the cost containment measures
20. Short title

## **1. DEFINITIONS**

“*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*” the measures implemented to curtail spending in terms of this policy.

“*Municipality*” Mthonjaneni Local Municipality

## **2. PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Mthonjaneni Local Municipality.

## **3. OBJECTIVES OF THE POLICY**

The objectives of this policy are to:

- 3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;
- 3.2 To implement cost containment measures.

## **4. SCOPE OF THE POLICY**

This policy will apply to all:

- 4.1 Councilors’ and
- 4.2 Municipal employees.

## **5. LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the -

- 5.1 The Municipal Finance Management Act, Circular 82 , of November 2016;
- 5.2 Municipal Cost Containment Regulations, 2019;
- 5.3 The Municipal Finance Management Act, Circular 97 , of July 2019;
- 5.4 Travelling and subsistence policy

## **6. POLICY PRINCIPLES**

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

- (i) Use of consultants
- (ii) Vehicles used for political office-bearers
- (iii) Travel and subsistence
- (iv) Domestic accommodation
- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Any other related expenditure items

## **7. USE OF CONSULTANTS**

7.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.

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:

- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
- (ii) Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
- (iii) Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
- (iv) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.

7.4 Consultancy reduction plans should be developed.

7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.

7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

7.7 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.

- 7.8 The contract price must specify all travel and subsistence cost 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 abovementioned travel policy of the national department of transport

## **8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is greater.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as in 8.2, the chief financial officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
  - (ii) Affordability
  - (iii) Extent of service delivery
  - (iv) Terrain for effective usage of vehicle
  - (v) 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 kilometers.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometers only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

## **9. TRAVEL & SUBSISTENCE**

- 9.1 An accounting officer:
- (i) May only approve the purchase of economy class tickets for all officials or political office bearers where the flying time for a flight is five (5) hours or less; and
  - (ii) For flights that exceed five (5) hours of flying time, may purchase

business class tickets *only* for accounting officer, political office bearers and persons reporting directly to the accounting officer.

- 9.2 Notwithstanding 9.1, an accounting officer, or the mayor in case of an accounting officer, may approve the purchase business class tickets for officials with disability or a medically certified condition
- 9.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials or political bearers that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 9.4 Officials or political bearers of the municipality must:
- (i) Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
  - (ii) Make use of a shuttle service if the cost of such a service provider is lower than:
    - the cost of hiring a vehicle;
    - the cost of kilometers claimable by the employee; and
    - the cost of parking.
  - (iii) not hire vehicles from a category higher than Group B; and
  - (iv) 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.
  - (v) When a vehicle is hired or the municipal fleet is utilised, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion)
  - (vi) The driver of the official and/or rented vehicle - at the time of an offence - is responsible for the payment of the fine.
  - (vii) The costs of such fine as well as all the related admin fees will be recovered from the driver (employee) through salary deductions with or without prior consultation
- 9.5 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
- 9.6 No travel re-imbursement will be paid for business related trips within the District of King Cetshwayo.

## **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 When booking accommodation, an enquiry must be made at the establishment for a government rate of accommodation.
- 10.3 Actual cost of a 3 Star hotel on a bed and breakfast basis to the maximum amount of R1 500 (VAT inclusive) per person per day, with prior approval by Accounting Officer or delegated official can be incurred.
- 10.4 Where a 3 Star hotel is not available and/or the hotel with the threshold as per 10.3, a hotel of similar or higher grading may be used with prior approval by the Head of Department and/or Accounting Officer.
- 10.5 Where a rate of a hotel, guest house or accommodation of a higher grading proves to be cheaper than that of a 3 Star accommodation, the accommodation at a higher grading venue may be accepted from the Head of Department and/or Accounting Officer.
- 10.6 Where the location of conference, symposium, workshop, or training venue necessitates that accommodation be used of a higher grade than that of a 3 Star hotel, prior approval must be obtained from the Head of Department and/or Accounting Officer.
- 10.7 The amount of R1500 quoted above may be exceeded with approval of the Accounting Officer in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.
- 10.8 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres or if the meeting starts before 8:00am, where the return trip is less than 500 kilometres prior approval must be obtained from the Head of Department and/or Accounting Officer
- 10.9 Should a delegate elect to arrange his/her own accommodation at relatives or friends, provided that the delegate is eligible and has been approved for accommodation an allowance be paid to him/her calculated as follows:
  - (i) Meals and incidental cost in amount equal to annual determination for meals and incidental cost that are deemed to have been expected by South African Revenue Services (R452 for 2020/21 tax year) per night (day)
  - (ii) An overnight allowance for accommodation in the amount of R500.00 per night of accommodation will serve as an allowance for accommodation, where-after the municipality will have no further obligation towards the delegate for accommodation.
  - (iii) Only kilometres from place of work to the meeting venue will be remunerated and no additional kilometres will be remunerated between meeting venue and hotel in the event where the traveller opted to stay

with relatives, family or friends

- (iv) No additional daily allowance will be remunerated should the delegate elect to arrange his/her own accommodation

## **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 official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.
- 11.3 The municipality will not provide credit card facilities
- 11.4 All HOD's should monitor municipal vehicle usage, petrol card limit and report fuel costs monthly for vehicles assigned to them
- 11.5 All HOD's will be responsible for misuse and abuse of the petrol card and municipal vehicle assigned to them
- 11.6 Petrol cards must be kept in a safe custody by the HOD responsible and used for the vehicle assigned to only

## **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 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
  - (i) Hosting of meetings;
  - (ii) Conferences;
  - (iii) Workshops;
  - (iv) Courses;
  - (v) Forums;
  - (vi) Recruitment interviews; and
  - (vii) Council proceedings
- 12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000) 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 such as but not limited to:

- staff year-end functions
- staff wellness functions
- attendance of sporting events by municipal officials

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 must be done by using the transversal term contracts that have been arranged by the National Treasury.

13.5 Allowances for officials for private calls is limited to R50,00 per official.

13.6 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

### **14. CONFERENCES, MEETINGS & STUDY TOURS**

14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and 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 to conferences or events within and outside the borders of South Africa, the accounting officer

must take the following into account:

- (i) The officials role and responsibilities and the anticipated benefits of the conference or event;
- (ii) Whether the conference or event will address the relevant concerns of the municipality;
- (iii) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
- (iv) 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:

- (i) Conference or event registration expenses; and
- (ii) 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 three (3) 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.

14.10 All trips must be pre-approved by the Accounting Officer

## **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 and other inducements as part of, or during the election periods.

**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 those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the MFMA.

**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 must be copied to the National Treasury and relevant provincial treasuries 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.

**19. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES**

- 19.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 19.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 19.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 19.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:
- Findings and recommendations; and/or
  - Whether disciplinary steps should be taken against the alleged transgressor.
- 19.5 The accounting officer must table the report with recommendations to the municipal council.

19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

19.7 Any person not complying with the policy, Municipal Cost Containment Regulations and measures the Accounting Officer is bound to apply consequence management to that person

**20. SHORT TITLE**

20.1 This policy shall be called the Cost Containment Policy of the Mthonjaneni Local Municipality

