



EDUMBE LOCAL MUNICIPALITY COST CONTAINMENT POLICY

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1. DEFINITIONS / ABBREVIATIONS:

- 1.1 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 –

“Act”- means the Local Government: Municipal Finance Management Act, 2003 (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 a municipality to 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; 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.

MCCR – Local Government: Municipal Cost Containment Regulations

MFMA - Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003)

2. OBJECT OF THE POLICY:

The object 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 a municipality are used effectively, efficiently and economically by implementing cost containment measures.

3. APPLICATION OF THE POLICY

This policy applies to all officials and political office bearers of the municipality. This policy must be applied in conjunction with the MCCR, as well as MFMA Circular No 97 on Municipal Cost Containment Measures.

4. USE OF CONSULTANTS

- 4.1 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.

- 4.2 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; or
 - c) As prescribed by the body regulating the profession of the consultant.
- 4.3 The tender documentation for the appointment of consultants must include a clause that remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in clause (4.2) above.
- 4.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- 4.5 When consultants are appointed, an accounting officer 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 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; Skills may be transferred through the provision of workshops or on the job training;
 - (e) undertake all engagements of consultants in accordance with 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.
- 4.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 4.7 A 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.

- 4.8 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.
- 4.9 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. VEHICLES USED FOR POLITICAL OFFICE BEARERS

- 5.1 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.
- 5.2 The procurement of vehicles in clause 5.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 5.3 Before deciding to procure a vehicle as contemplated in clause 5.2, 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 the most cost-effective option is followed and the cost is equivalent to or lower than that contemplated in clause 5.1. Costs represents total costs including financing charges.
 - (c) extent of service delivery backlogs.
 - (d) terrain for effective usage of the vehicle; and
 - (e) any other policy of council
- 5.4 If the rental referred to in clause 5.3 is preferred the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 5.5 Regardless of their usage, the vehicles for use by political office bearers may only be replaced after completion of 120 000 km.
- 5.6 Notwithstanding clause 5.5, 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.

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

6. TRAVEL AND SUBSISTENCE

- 6.1 An accounting officer –
- (a) may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for 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.
- 6.2 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.
- 6.3 Notwithstanding clause 6.1 or 6.2, an accounting officer, or the mayor in the case of an accounting officer may approve the purchase of business class tickets for an official or a political office bearer with a disability of a medically certified condition.
- 6.4 International travel to meetings or events that are considered critical must be limited. 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.
- 6.5 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.
- 6.6 An official or a political office bearer of a municipality must, where viable:
- (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 official or political office bearer; and
 - (iii) The cost of parking.
 - (c) not hire vehicles from a 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 office before hiring the vehicle.
- 6.7 The above in paragraph 6.6 does not oblige the use of public or alternative modes of transport for public office bearers and officials, but rather requires municipalities to ensure that expenditure in this regard is reasonable and balanced against the service delivery needs and priorities of the municipality. In the case of Alfred Duma Local Municipality public transport is not viable due to safety, risk and practical implementation.
- 6.8 A municipality may hire a vehicle that is higher than the Group B class outlined in regulation 7(6), but only where this is required for a particular terrain or to cater for the special needs of an official or public office bearer or when the number of officials attending a specific event necessitate a higher class vehicle. However, this must be done with the prior approval of the accounting officer.
- 6.9 A 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 that can be negotiated with other service providers that offer lower rates.
- 6.10 Therefore, in determining the appropriate mode of transport to enable the performance of duties, municipalities should apply the factors mentioned in the regulation. However, these factors are not exhaustive and the cost containment policy of the municipality and municipal entity may include other factors including safety considerations.
- 6.11 The municipality must first consider their own fleet, where viable, prior to hiring of vehicles. The use of shuttle services, if the cost of such a service is below the cost of hiring a vehicle, and other options can be considered. Therefore, accounting officers must encourage officials and councillors to make use the most cost effective option so as to reduce travel costs. Council policy can permit employees to accept up-graded group of hired vehicles if such an up-grade is offered with no extra charge or at a lower charge than a Group B vehicle. Vehicle travel claims by employees of municipalities must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme. The principle of cost containment and savings should inform council's policies.

6.12 Air Travel

- a) The National Treasury has negotiated with South African Airways (SAA) and Comair/British Airways (BA) for upfront discounted air fares for government employees, including councillors, travelling domestically for official purpose. These Domestic Air Travel Fares will be regularly reviewed by the National Treasury (These rates are not applicable for International Air Travel).
- b) For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.
- c) For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.
- d) The premise of “Best Fare on the Day” should be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Municipalities and municipal entities must also request quotations from other Low Cost Carriers. Please note that all discounted rates are subject to class availability.
- e) In order to make full use of the corporate discount with SAA and BA, municipalities and municipal entities must instruct their appointed TMCs or persons making their bookings for domestic airline tickets, to book against the relevant deal codes as detailed in Annexure B.
- f) Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agent’s name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.
- g) Travel agencies are only permitted to make booking arrangements on behalf of municipalities in line with the MCCR, 2019 read together with Circular 97 of the MFMA on Municipal Cost Containment Measures.
- h) Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

7. DOMESTIC ACCOMODATION

- 7.1 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. When sourcing accommodation for officials, the municipality should find options that are equal to or lower than the rates as determined by MFMA Circular 97 on Municipal Cost Containment Measures, depending on the allowable star grading and the band. Competition and cost effectiveness must remain a key principle.
- 7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres, or where attendance is required over a number of days.
- 7.3 There may be circumstances that such limitations in paragraph 7.2 above may be impractical. For example, there is a risk to the health of the official or councillor and cost vs benefit considerations can warrant such expenditure. Approval by the Accounting Officer is required for such exceptions.

8. CREDIT CARDS

- 8.1 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.
- 8.2 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. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.
- 8.3 While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilised in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

9. SPONSORSHIPS, EVENTS AND CATERING

- 9.1 A municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless prior written approval of the accounting officer is obtained.

- 9.2 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.
- 9.3 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- 9.4 The municipality must not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.
- 9.5 An 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.
- 9.6 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 or is an integral part of the business model.
- 9.7 An accounting office 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.

10. COMMUNICATION

- 10.1 A municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers, except for areas where internet connectivity is problematic.
- 10.2 Paragraph 10.1 above does not apply legislative provisions which require the municipality to advertise certain processes in newspapers including public participation processes.
- 10.3 An 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 in the cost containment policy of the municipality.
- 10.4 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.

- 10.5 A municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

11. CONFERENCES, MEETINGS AND STUDY TOURS

11.1 An 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 border of South Africa taking into account their merits and benefits, costs and available alternatives. Motivations addressing the above must be submitted to the Accounting Officer for approval.

11.2 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 the expenses related to the conference or event.

11.3 An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to the granting approval for an official to attend a conference or event within and outside the borders of South Africa.

11.4 The benchmark costs referred to in clause 11.3 may not exceed an amount as determined from time to time by National Treasury through a notice. The benchmark cost for attendance of conferences is currently two thousand five hundred rand R2 500.

11.5 The amount referred to in clause 11.4 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.

- 11.6 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.
- 11.7 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.
- 11.8 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.
- 11.9 An accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in clause
- 11.10 A municipality must, where applicable, take advantage of early registration discounts by granting required approvals to attend the conference, event or study tour in advance.

12. OTHER RELATED EXPENDITURE ITEMS

- 12.1 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.
- 12.2 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.
- 12.3 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.
- 12.4 The municipality must avoid expenditure on elaborate and expensive office furniture.

- 12.5 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.
- 12.6 The 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.
- 12.7 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

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

14. DISCLOSURE OF COST CONTAINMENT MEASURES

- 14.1 The disclosure of cost containment measures applied by the municipality will be reported to Council on a monthly basis as part of the in-year budget (Section 71) reports and annual cost savings disclosed in the annual report.
- 14.2 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.
- 14.3 The reports referred to in clause 14.2 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. COMMENCEMENT

- 15.1 This policy is in line with the Municipal Cost Containment Regulations, 2019, Notice 317 of 2019, Government Gazette No. 42514 and is effective from 1 October 2019.