

In line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the object of this policy is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

### Policy Objective

Council Resolution: CR98-30/05/23

2023/2024

# COST CONTAINMENT POLICY



## GREATER GIYANI MUNICIPALITY

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- (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.

(2) The accounting officer must adopt a fair and reasonable remuneration framework for Consultants taking into account the rates –

- (1) The municipality may only appoint consultants if an assessment of the needs and requirements confirms that it does not have the requisite skills or resources in its full-time employ to perform the function.

#### 4. USE OF CONSULTANTS

"municipality" means the Greater Giyani 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.

"cost containment" means measures implemented to curtail spending in terms of this policy; and

"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 or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

"Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

In this policy, a word or expression to which a meaning has been assigned in the **Local Government: Municipal Finance Management Act**, has the same meaning as in the Act unless the context indicates otherwise, and-

#### 3. DEFINITIONS

This policy applies to all officials and political office bearers of the Greater Giyani Municipal Council.

#### 2. APPLICATION OF THIS POLICY

The Minister of Finance has, acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs gazetted a Cost Containment Regulations 2019. The aim of this policy is therefore to give effect to the Local Government: Municipal Finance Management Act, 2003 Municipal Cost Containment Regulations, 2019.

#### 1. INTRODUCTION

- (a) Status of current vehicles must be considered:-
- (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:-
  - (2) The procurement of vehicles must be undertaken using the national government transversal contract mechanism.
  - (3) If any other procurement process is used, the cost may not exceed the threshold set out in subsection (2) above.
  - (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:-
    - (1) The threshold limit for the vehicle purchases relating to official use by political office-bearers may not exceed R700 000 or 70% of the total annual remuneration package for the municipal grade, whichever is greater.

**5. VEHICLE USED FOR POLITICAL OFFICE – BEARERS**

- (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.
- (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.
- (7) 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.
- (6) All contracts with consultants must include a fee retention or penalty clause for poor performance.
- (f) develop consultancy reduction plans to reduce the reliance on consultants.
- (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and
- (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
- (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;
- (b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;
- (a) appoint consultants on a time and cost basis with specific start and end dates;
- (5) When consultants are appointed, an accounting officer must –
  - (4) When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market –determined rates.
  - (3) 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 clause (2) above.

- (1) The 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.
- (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.
- (3) Notwithstanding (1) or (2) above, the 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.
- (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. TRAVEL AND SUBSISTENCE**

- (1) As part of demand management, the municipality must first conduct market research, taking into account the national government transversal contract and must use the transversal contract mechanism to procure vehicles in order to realise the actual cost savings already negotiated under the contract if this is the cheaper option after all associated costs have been taken into account.
- (2) The most cost-effective option should be utilised.
- (3) Municipal fleet should also be considered in this regard because often, the municipal fleet specifications would be aligned for the specific municipal terrain.
- (4) Notwithstanding the disposal clauses in the Fleet Management Policy, the municipality may replace municipal fleet before completion of two hundred thousand kilometres 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.

**6. MUNICIPAL FLEET (MFMA Circular 97 - Vehicles used for political office -bearers Par 2)**

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

- (a) The accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official; and
- (b) 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.

### 9. CREDIT CARDS

- (a) The 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.
- (b) Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).

### 8. DOMESTIC ACCOMMODATION

- (7) The municipality must utilize 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.
- (a) The 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.
- (b) 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.
- (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 officer before hiring the vehicle.
- (i) the cost of hiring a vehicle;
- (ii) the cost of kilometers claimable by the official or political office bearer; and
- (iii) the cost of parking.
- (6) An official or a political office bearer of a municipality must -
  - (a) utilize 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 -
    - (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.
- (5) The 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.

**10. SPONSORSHIPS, EVENTS & CATERING**

- (a) 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.
- (b) 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

- (c) 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.
- (d) Expenses may not be incurred on alcoholic beverages.
- (e) 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 suppliers or sponsors
- (f) 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.
- (g) 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.

**11. COMMUNICATION**

- (a) All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- (b) Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- (c) Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- (d) The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- (e) Allowances for officials for telephone calls must be limited to the allocation in terms of the municipal Telecommunication Policy

**12. CONFERENCES, MEETINGS & STUDY TOURS**

- (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.
- (2) The benchmark costs may not exceed an amount determined by National Treasury.

**13. OTHER RELATED EXPENDITURE ITEMS**

- (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:
    - (a) The officials role and responsibilities and the anticipated benefits of the conference or event;
    - (b) Whether the conference or event will address the relevant concerns of the municipality;
    - (c) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
    - (d) Availability of funds to meet expenses related to the conference or event.
  - (4) The amount referred to in (2) 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.
  - (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.
  - (6) Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
  - (7) Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
  - (8) The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- (a) 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.
  - (b) 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.
  - (c) Expensive office furniture must be avoided by the municipality
  - (d) Periodic or quarterly threat assessments against councillors and key officials should be undertaken by the appropriate authority (SAPS) and reported to the Speakers Office. Approval for security measures must be informed by such reports, if paid for from municipal funds.
  - (e) A municipality or municipal entity may consider providing additional time-off in lieu of payment for overtime worked.
  - (f) 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.
  - (g) A municipality or municipal entity must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.
  - (h) Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.
  - (i) Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.



**Council Resolution: CR98-30/05/23**

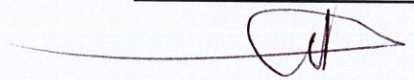
SIGNED BY

MAYOR: Cllr Zitha T

SIGNATURE

DATE

30/05/2023



This policy is called the 'Cost Containment Policy' and took effect on 1 July 2023.

**17. SHORT TITLE AND COMMENCEMENT**

This policy will be reviewed at least annually by a council resolution and as may be appropriate.

**16. POLICY REVIEW**

- (a) 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.
- (b) 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.
- (c) The municipal council can refer such reports to an appropriate council committee for further recommendations and actions.
- (d) Such reports must be copied to the National Treasury and relevant provincial treasuries within seven (7) calendar days after the report is submitted to municipal council.

**15. DISCLOSURE OF COST CONTAINMENT MEASURE**

Failure to implement or comply with this policy may result in any official of the municipality, political office bearer or director that authorised or incurred any expenditure contrary to these policy stipulations 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, 2014.

**14. ENFORCEMENT PROCEDURES**