



PORT ST JOHNS
• MUNICIPALITY •

OUR HERITAGE, OUR PEOPLE

DRAFT COST CONTAINMENT POLICY

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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” Port st Johns Municipality

2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures at Port st Johns 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; and

3.2 To implement cost containment measures.

4. SCOPE OF THE POLICY

This policy will apply to all:

4.1 Councillors; and

4.2 Municipal employees.

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with:

5.1 The Municipal Finance Management Act, Circular 82;

5.2 Municipal Cost Containment Regulations, February 2018;

5.3 Municipal Cost Containment Regulations, June 2019

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. Car rental and other travel costs
- iv. Travel and subsistence
- v. Domestic accommodation
- vi. Credit cards
- vii. Sponsorships, events and catering
- viii. Communication
- ix. Conferences, meetings and study tours
- x. Any other related expenditure items

7. USE OF CONSULTANTS

7.1 Consultants may only be appointed after an assessment of the needs and requirements have 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 as subsistence and travel 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.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers is as per Government Gazette pertaining to the determination of upper limits of salaries, allowances and benefits of different members of Municipal Councils.

8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.

8.3 Before deciding on another procurement process as in 8.2, the Accounting 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

8.4 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000km (one hundred and twenty thousand kilometres).

8.5 Notwithstanding 8.45, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000km (one hundred and twenty thousand kilometres) 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 AND SUBSISTENCE

9.1 An official or political office bearer of a municipality must:

- (a) Not hire vehicles from a category higher than Group B or equivalent class and: Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, the official must seek written approval of the accounting officer before hiring the vehicle;

9.2 .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 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

9.2.2 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

9.3.3 Notwithstanding (1) or (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 or a medically certified condition.

9.3.4 The municipality 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.

9.3.5 Travelling must be pre-authorized by the appropriate delegated official, before such costs are incurred.

9.3.6 Travelling to outside the province must be pre-approved by the Municipal Manager before the employee can embark on them.

9.3.7 The respective Directors should exercise control over the distances travelled

9.3.8 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 that are directly involved with the subject matter will be allowed to attend the meeting or event.

9.3.9 Officials of the municipality must:

- i. Utilize 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 kilometres claimable by the employee; and
 - the cost of parking.

10. DOMESTIC ACCOMMODATION

10.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance within the allowable rates for domestic accommodation and meals as communicated by National Treasury from time to time and the subsistence and travel policy of the municipality.

10.2 **The following guidelines apply to accommodation:**

- i. Where a booking for accommodation is done on a dinner, bed and breakfast basis an allowance for incidental costs in the amount equal to the annual determination for incidental costs that are deemed to have been expended by the South African Revenue Services will be payable.
- ii. For the purpose of calculating the allowance, officials and political office bearer only claim for overnight spent away.
- iii. Overnight accommodation must be limited to instances where the distance by road exceeds 500km return journey
- iv. Delegates can book accommodation the night prior to a workshop, meeting, conference, training, symposium if same is to commence by 09:00 and / or the one-way travelling distance exceeds 200 (two hundred) kilometres.

- v. Should accommodation be required for the night prior to a meeting, conference, training or symposium other than as stipulated above, the explicit approval from the accounting officer must be obtained prior to any arrangement being made.

10.3 When booking accommodation, an enquiry must be made at the establishment for a government rate of accommodations. **Failing which, the following will apply subject to the final approval by the accounting officer:**

- i. The use of 3-Star hotel on a bed and breakfast basis to the maximum amount, as determined by National Treasury
- ii. Should a 3-Star facility not be available, a hotel of similar or higher grading may be utilised with the prior written approval of the accounting officer.
- iii. Where a rate of a hotel, guest house or accommodation of a higher grade proves to be cheaper than that of a 3-Star accommodation, the accommodation at a higher grading venue may be accepted.
- iv. Where the venue of the conference, workshop necessitates that accommodation be used of a higher grade than that of a 3-Star hotel, prior approval must be obtained from the accounting officer.

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.

12. SPONSORSHIPS, EVENTS and 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 5 (five) hours:

- (i) Hosting of meetings;
- (ii) Conferences;
- (iii) Workshops;
- (iv) Courses;
- (v) Forums;
- (vi) Recruitment interviews; and
- (vii) Council proceedings

12.3 Expenses may not be incurred on alcoholic beverages.

12.4 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element not financed from the municipal budget or by any supplier or sponsors

12.5 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.

12.5.1 A Uniforms Policy stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.

12.6 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for 10 (ten) or more years or retire on grounds of ill health however this must be approved by the accounting officer.

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 Newspapers and other related publications 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

13.3 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.

13.4 Provision of diaries will be limited to:

- political office bearers;
- senior management;
- middle management;
- secretaries; and
- personal assistants

All other staff will utilise electronic diaries.

14. CONFERENCES, MEETINGS AND STUDY TOURS

14.1 Prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa, cognisance must be given to the annual Service Delivery and Budget Implementation Plan (SDBIP) as determined and captured.

14.2 The benchmark costs must be strictly adhered to as contained in the SDBIP and must be approved by the accounting officer.

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 official 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 the Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds 3 delegates from the Municipality
- (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 1 (one) per annum with a maximum of 3 (three) delegates and upon approval by the accounting officer.

14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

14.7.1 The HOD concerned must submit motivation and confirmation of availability of funds, if it is held outside the boundaries of the municipality.

14.7.2. Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.

14.7.3 The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.

14.7.4 Municipal vehicle's to be used to transport officials not receiving travelling allowance to avoid fruitless expenditure on claims for travelling

14.8 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

15. OTHER RELATED EXPENDITURE ITEMS

15.1 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.

15.2 Other general items to be noted include:

- i. all staff and council are to make use of Municipal tap water and not bottled water for meetings;
- ii. no tea / coffee is to be catered for in meetings besides an allowance for lunch should same be necessary;
- iii. a municipality must 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.
- iv. all approved educational funding for delegates, extends to tuition fees ONLY and further efforts must be made to secure education through local institutions.
 - v. In order to limit petrol expenditure, the municipal vehicle tracking system should be utilised by the Directorates to monitor usage in order to control abuse of municipal vehicles and excessive petrol consumption.

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 with the Municipal Regulation on Financial Misconduct Procedures.

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 Directors are required to report on a quarterly basis regarding the status of implementation of the Cost Containment Policy for their respective Directorates, Thereafter measures implemented, and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings must be submitted to 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 AND REVIEW PROCESS

18.1 The Cost Containment Policy will be implemented immediately after Council approval

18.2 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:

- i. Findings and recommendations; and/or
- ii. 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.

20. **SHORT TITLE**

20.1 This policy shall be called the Cost Containment Policy of the Port st Johns Municipality.