



Harry Gwala District Municipality

**DRAFT COST
CONTAINMENT POLICY
HGDM-P0015
2024-25**

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1. DEFINITIONS

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 or municipal entity 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 The Municipal Cost Containment Regulations, 2019; 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.

2. INTRODUCTION

- 2.1 Section 62(1) (a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically and that unauthorized, irregular or fruitless and wasteful expenditure and other losses are prevented.
- 2.2 A similar responsibility rests upon senior managers and officials exercising financial responsibilities in terms of Section 78 of the MFMA.
- 2.3 In terms of the legal framework, the elected councils and accounting officers are required to institute appropriate measures to ensure that the limited resources and public funds are appropriately utilized to ensure value for money is achieved.

3. BACKGROUND

- 3.1 National Government has been aware of the need to contain costs and Cabinet resolved that all spheres of government, including municipalities and municipal entities must implement measures to contain operational costs and eliminate all non-essential expenditure.
- 3.2 The Municipal Cost Containment Regulations, 2019 (hereinafter referred to as the Regulations) were published by the Minister of Finance, acting with concurrence of the Minister of Cooperative Governance, on 7 June 2019. The regulations are effective from 1 July 2020. In terms of the regulations each municipality must develop and maintain a cost containment policy which must define the municipality's objectives for the use of consultants and be consistent with the MFMA and the Regulations.
- 3.3 The policy must be adopted as part of the budget related policies; give effect to the regulations; contain monitoring measures to ensure implementation of the policy; procedures for the annual review thereof; and consequences for not adhering to the cost containment measures.

4. APPLICATION

- 4.1 The Policy is applicable to all political office bearers and all officials of the municipality to give effect to the Regulations.
- 4.2 The Accounting Officer, Senior Managers and Officials exercising financial responsibilities must take all reasonable steps to ensure that the Policy is adhered to.
- 4.3 In the event of any conflict between any provision of this policy and any other policy of the Council, the stipulations of the policy and the regulations shall prevail.

5. OBJECTIVES OF THE POLICY

- 5.1 The purpose of this Circular is to guide council and officials on cost containment measures that are being implemented in an effort to minimize costs by cutting of unnecessary expenditure, looking at alternative ways to procure goods and services and gradually reduce deficit.
- 5.2 This policy is intended to ensure:
- ❖ That measures are in place to contain operational costs and eliminate all non-essential expenditure.
 - ❖ that excessive and wasteful expenditure has to be reduced, and that increased action be taken to manage unnecessary expenditure
 - ❖ That measures are taken in terms of Section 32 of the MFMA in event of unauthorized, irregular, fruitless and wasteful expenditure.
 - ❖ that the Strategic Executive Directors and Treasury and Budget Office implemented proper monitoring of non-necessary expenditure
 - ❖ that the Mayor exercise proper general political guidance over the fiscal and financial affairs of the municipality

6. POLICY PRINCIPLES

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

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:

- ❖ Consultants should be appointed on a time and cost basis that has specific start and end dates;
- ❖ Consultants should appoint on an output-specific, specifying deliverables and the associated remuneration;
- ❖ 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
- ❖ 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. 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 may not exceed seven hundred thousand rand (R700 000) VAT inclusive 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 8.3, the Chief Financial Officer must provide the council with information relating to the following criteria that must be considered:
- ❖ Status of current vehicles
 - ❖ Affordability including whether to rent or procure
 - ❖ Extent of service delivery backlogs
 - ❖ Terrain for effective usage of vehicle; an
 - ❖ 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.
- 8.7 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. TRAVEL AND SUBSISTENCE

- 9.1 Councillors and officials claiming travel and subsistence will adhere to regulation 5 of the Regulations.
- 9.2 The Municipality's travel and subsistence policy will be subject to the Regulations.
- 9.3 Travel and subsistence claims will be measured by cost effectiveness and fairness.
- 9.4 The Municipal Manager will approve the purchase of the class of tickets for flights according to Regulation 7 (1) and (3), except that in the case of the Municipal Manager, the Executive Mayor will approve the purchase of the class of tickets as per Regulation 7(2) and (3).
- 9.5 Travel for international flights is limited to events and meetings that are critical.

- 9.6 The number of officials or political office bearers attending critical international events or meetings is limited to those officials or political office bearers who are directly involved in the subject matter related to the event or meeting.
- 9.7 All international travel must be approved by the Municipal Council, prior to the event or meeting on a written report submitted by the Municipal Manager motivating the need and criticality.
- 9.8 Flight and accommodation cost is limited to the negotiated rates for flights and accommodation communicated from time to time by National Treasury. For any deviation of this stipulation, the prior approval of the Municipal Manager, or the Mayor in the case of the Municipal Manager, is required and their approval is subject to the conditions laid down in regulation 7 (5) of the Regulations.
- 9.9 Hiring of vehicles is limited to a category B vehicle or equivalent class and where a different class is required for the circumstances mentioned in regulation 7 (6) (d), the prior written approval of the Municipal Manager is required.
- 9.10 The various options for transport as referred to in Regulation 7 (6) will be applicable as and when feasible, taking into account the contract's stipulations of the Municipal Manager and Manager reporting to him on the use of subsidised vehicles and the stipulations of the Remuneration of Public Office-bearers Act, 1998 (Act no. 20 of 1998), in relation to the use of vehicles by Councillors and subject to paragraphs 12 to 1 below.
- 9.11 The use of municipal fleet will be considered before hiring a vehicle taking into account the fact that the municipal fleet is basically only available for daily service delivery and that there are no specific general fleet vehicles.
- 9.12 Subject to sub-paragraph 11 above and sup-paragraph 13 below, the use of available public transport or a shuttle service will be considered if the cost of such service is lower than the cost as detailed in Regulation 7 (6) (b) (i) to (iii).
- 9.13 Taxi transport is basically the only available public transport and is not suitable to transport individuals or a limited number of employees to and from external venues and places, however, when feasible, such transport will be considered such as transporting a number of persons to and from a venue, without any need for

interim transport during the course of the event they are attending. Especially suitable for training at remote events over a number of days.

10. DOMESTIC ACCOMMODATION

- 10.1 The cost for domestic accommodation and meals shall not exceed the maximum allowable rates for domestic accommodation and meals as contained in the notice by National Treasury, from time to time.
- 10.2 Overnight accommodation may only be booked where the return trip exceeds 500km except if circumstances demand otherwise, such as impracticality, where attendance is required over a number of days or if there is a risk to the health of the official or councillor and cost versus benefit warrant such expenditure.
- 10.3 Approval for overnight accommodation in sub-paragraph 2 must be motivated on the prescribed form and approved by the Municipal Manager prior to the arrangement for overnight stay. Such written approval must accompany the request for travel and subsistence.

11. CREDIT AND PETROL CARDS

- 11.1 The municipality does not make use of credit cards.
- 11.2 Petrol cards are only issued to Municipal Officials for refilling official municipal vehicles in terms of the Fleet Management Policy.
- 11.3 Where officials or councillors incur expenses in relation to official municipal activities, they should use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the relevant municipal policy and processes. Alternatively, the municipality will make arrangements with the service provider that the expenditure be settled directly by the municipality.

12. SPONSORSHIPS, EVENTS AND CATERING

- 12.1 Catering expenses will not be incurred for any meetings which are only attended by persons in the employ of the municipality, unless prior written approval of the Municipal Manager is obtained.
- 12.2 The Municipal Manager may incur catering expenses for the hosting of meetings, conferences, workshops, forums, and proceedings of the Council that exceeds five (5) hours.
- 12.3 Entertainment allowances of qualifying officials will not exceed two thousand rand (R2 000) per person per financial year, unless approved otherwise by the Municipal Manager. This amount will be reviewed annually.
- 12.4 No expenses for alcoholic beverages will be incurred by the municipality.
- 12.5 Social events, team building exercises, year-end functions, sporting events and budget vote dinners will not be financed from the municipal budget or by any suppliers or sponsors.
- 12.6 No expenses for corporate branded items like clothing or goods for personal use of officials will be incurred by the Municipality, unless the cost thereof are recovered from affected officials or is an integral part of the business model.
- 12.7 Notwithstanding sub-paragraph 6 expenses for uniforms, office supplies and tools of trade can be incurred by the Municipality.
- 12.8 No farewell function will be financed from the municipal budget for employees.

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 R100, 00 per official.
- 13.6 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

14. CONFERENCES, MEETINGS AND STUDY TOURS

- 14.1 The Municipal Manager shall establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within or outside the borders of South Africa, in terms of regulation 12 (1) of the Regulations.
- 14.2 The policies and procedures in sub-paragraph 1 shall include the stipulations of regulation 12 (2) to 12(6).
- 14.3 Endeavours will be made to utilise municipal office space for meetings and planning sessions that entail the use of municipal funds, as far as may be practically possible and if a suitable venue is available for the specific meeting or planning session on the required day and time.
- 14.4 Endeavours will be made to utilise municipal and/or provincial office facilities for conferences, meetings, and strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction and if a suitable venue is available for the specific conference, meeting or strategic planning session on the required day and time.
- 14.5 Any event mentioned in sub-paragraphs 3 and 4 above, can only be held at a private venue at cost on prior written approval by the Municipal Manager.
- 14.6 The Municipal Manager is delegated the authority to grant approval for officials and in the case of the Municipal Manager and political office bearers, the Mayor, as contemplated in sub-paragraph 1 above, and the delegate shall take into

account the stipulations of regulation 12 (2) of the Regulations before approving any application.

- 14.7 Political Office Bearers and Officials serving on a body or organisation as an official representative of the Council and that has been elected as such in terms of a Council resolution is exempted from the stipulations of sub-paragraphs 14.1 and 14.6 above.
- 14.8 Attendance of the working groups of SALGA is exempted from the stipulations of sub-paragraphs 1 and 6 above.
- 14.9 Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration will be approved.

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 fund any activities of any political party at any time.
- 15.3 A municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.4 A 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.
- 15.5 A municipality may consider providing additional time-off in lieu of payment of 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.

- 15.6 A municipality must ensure that due process is allowed when suspending or dismissing officials to avoid unnecessary litigation costs.

16. ENFORCEMENT

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. CONSEQUENCES FOR NON-ADHERENCE TO THE POLICY

- 18.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 18.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 18.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the MPAC in the absentia of Disciplinary board.
- 18.4 After completion of a full investigation, the MPAC/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.
- 18.5 The accounting officer must table the report with recommendations to the municipal council.
- 18.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

19. MONITORING MEASURES

- 2.1 All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Accounting Officer, based on a motivation from the Director concerned, endorses the procurement process.
- 2.2 Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
- 2.3 Requests for extension of consultants' contracts of appointment must be motivated in writing to the Accounting Officer, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.
- 2.4 Any SLA or contract signed with consultants, must include

- ❖ retention and penalty clauses for poor performance,
 - ❖ clauses that deal with skills transfer,
 - ❖ period of the contract must be clearly stated, amongst other pertinent clauses.
- 2.5 Directorates who deal with Consultants must ensure compliance with the National Treasury instruction, as it relates to disbursements for travelling and accommodation for consultants.
- 2.6 The Accounting Officer must give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.
- 2.7 The Municipal Manager will annually review the policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within or outside the borders of South Africa.
- 2.8 The current system whereby officials are required to sign off on the monthly account relating to telephone calls made on the municipal land lines will be retained in order that the cost for private calls made can be recovered from the relevant employee's remuneration.
- 2.9 The Executive Personal Assistant of the Municipal Manager will keep a record of any deviations approved by the Municipal Manager and the Mayor and submit such report to the Municipal Manager on a quarterly basis.

20. POLICY REVIEW

The content of the Cost Containment Policy will be reviewed annually together with the budget related policies to reflect the current commitment to cost containment measures within the Municipality.

21. OBJECTIONS AND COMPLAINTS

Persons aggrieved by decisions or actions taken in the implantation of the Cost Containment policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

Policy section:	Director: Budget and Reporting
Current date:	26 March 2024
Previous review date:	27 May 2023

22. APPROVAL AND IMPLEMENTATION OF POLICY

- 22.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.
- 22.2 This Policy, once adopted by Council, shall come into effect on 01 July 2024 once approved by the council.