

**NGQUSHWA LOCAL
MUNICIPALITY**



**COST CONTAINMENT POLICY
2022/2023**

Summary

Publication Date	01 July 2020
Review Date	19 March 2022
Related Legislation/Applicable Section of Legislation	Municipal Finance Management Act 56 of 2003
Related Policies, Procedures, Guidelines, Standards, Frameworks	
Replaces/ Repeals (whichever is relevant, if any)	
Policy Officer (Position)	
Policy Officer (Phone)	
Policy Sponsor (Position)	
Department Responsible	All departments
Unit responsible	Budget and Reporting
Applies to	All Ngqushwa Local Municipality Employees and Councillors
Key Words	Cost containment
Status	Reviewed
Council approval date	
Version	Version 1

Deleted: National treasury circular 54, 55, 56, 66 and 67

REVISION RECORD

Date	Version	Revision Description
Feb 2020	Version 1	Cost Containment Policy 2020

1. NAME OF POLICY

This policy shall be called the Ngqushwa Local Municipality Cost Containment Policy

2. PURPOSE OF POLICY

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.

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 utilised to ensure value for money is achieved.

The purpose of this Policy is to guide the municipality on cost containment measures that must be implemented in an effort to address the impact of the country's economic challenges and to promote growth, address unemployment and equality, amongst others.

3. BACKGROUND

The 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.

The Minister of Finance has, acting with the concurrence of the Minister of Cooperative Governance and Traditional Affairs, in terms of section 168(1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), made the Regulations in terms of Notice 317 of 2019 and directed as follow:

That each municipality or municipal entity must develop or revise and implement a cost containment policy which must-

- a) In the case of a municipality, be adopted by the municipal entity, by the board of directors as part of its budget related policies:

- b) Define a municipality or municipal entity's objectives for the use of consultants;
and
- c) Be consistent with the Act and these Regulations.

(2) The cost containment policy of a municipality or a municipal entity contemplated in sub- Regulation (1)

- a) Be in writing;
- b) Give effect to these Regulations;
- c) Be reviewed annually, as may be appropriate;
- d) Be communicated on the municipality's or municipal entity's website; and
- e) Set out-
 - ✓ monitoring measures for ensuring implantation of the policy;
 - ✓ procedures for the annual review of the policy; and
 - ✓ consequences for non-adherence to the measures contained therein

4. USE OF CONSULTANTS

Ngqushwa Local Municipality will only appoint consultants after the following has been completed

- A need assessment for a function or project in line with the approved SDBIP has been completed.
- A skills audit requirement of the project has been completed.
- Confirmation that the municipality does not have the requisite skills or resources in its full-time employ to perform the function.

5. PAYMENT TO CONSULTANTS

In order to ensure a fair and reasonable remuneration framework for consultants the Accounting officer will take into account the following rates-

- a) "Guideline on fees for audits undertaken on behalf of the of the Auditor-Accountants;
- b) "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.

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 the sub-regulation above.

When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.

6. APPOINTMENTS OF CONSULTANTS

The Accounting Officer must ensure that he or she -

- 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) That contracts with consultant include overall cost ceilings by specific whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- d) That there is transfer of skills by consultants to the relevant officials of a municipality;
- e) Undertake all engagement of consultants in accordance with the Municipal Supply Chain Management policy; and
- f) Develop consultancy reduction plans to reduce the reliance on consultants.

That all contracts with consultants must include a fee retention or penalty clause for poor performance.

That the specifications and performance are used as monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

That the travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department Transport, as updated from time to time

That the contract price specifies 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.

7. VEHICLE USED BY POLITICAL OFFICE BEARERS

7.1 THRESHHOLDS

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.

The procurement of vehicles as stated in the above paragraph will be undertaken using the national government transversal contract mechanisms, unless it may be procured at a lower cost through other procurement mechanisms.

7.2 RESPONSIBILITIES OF THE ACCOUNTING OFFICER

Before deciding to procure a vehicle as contemplated above, 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 that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in paragraph 1 above;
- c) Extent of service delivery backlogs;
- d) Terrain for effective usage of the vehicles; and
- e) Any other policy of council.

If the rental referred to in paragraph 3 (Under thresholds) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

(Notwithstanding the above paragraph, a municipality or municipal entity may replace a vehicle for official use by political office bearers before the completion of 120 00 km only in instances where the vehicle has a serious mechanical report by the vehicle manufacturer or approved dealer.

The Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

8. TRAVEL AND SUBSISTENCE

8.1 FLIGHT TRAVEL APPROVALS

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.

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.

Notwithstanding the above said paragraphs (1) or (2), The Accounting Officer, or the mayor in the case of accounting officer, may approve the purchase of business class tickets for an official or a political bearer with disability or medically certified condition.

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.

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.

an official or a political office bearer of a municipality or municipal entity must-

- a) Utilise the municipal fleet, where viable, before incurring costs of such a service
- b) Make use of available public transport or a shuttle service if the cost of such a service is lower than-
 - ✓ The cost of hiring a vehicle;
 - ✓ The cost of kilometres claimable by the official or political office bearer; and
 - ✓ The cost of parking
- c) Not hire vehicles from category higher than Group B or any equivalent class;
- d) and 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.

The municipality must utilise the negotiated rates for flights accommodation as communicated from time by the National Treasury through a notice or any other available cheaper flight and accommodation.

9. DOMESTIC ACCOMODATION

Costs incurred for domestic accommodation and meals must be in accordance with the maximum allowable rates for domestic accommodation and meals as communicate from time to time by the National Treasury through a notice.

Overnight accommodation may only be booked where the return trip exceeds 500 kilometres

10. USE OF CREDIT CARDS

No credit card or debit card linked to a bank account of a municipality or a municipal entity is issued to any official or political office bearer, including members of the board of directors of municipal entities.

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 or municipal entity, and request reimbursement in accordance with the written approved and processes

11. SPONSORSHIP, EVENTS AND CATERING

Ngqushwa Local Municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality or municipal entity, unless the prior written approval of accounting officer is obtained.

The Accounting Officer may incur catering expenses for the hosting of meeting, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.

Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

The municipality will not incur expenses on alcoholic beverages.

The 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 the municipal entity's budgets or by any suppliers or sponsors.

The municipality will not incur expenditure or 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.

The accounting officer 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 or municipal entity for ten or more years or retire on grounds of ill health.

12. COMMUNICATION

Ngqushwa Local Municipality will, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.

The 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 or municipal entity.

Newspapers and other related publications for the use of officials will be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format

The municipality or may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

13. CONFERENCES, MEETINGS AND STUDY TOURS

When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, The Accounting Officer or mayor as the case maybe, must take the following into account-

- a. The officials or political office bears 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 bears, not exceeding three, attending the conference or event;
- d. The availability of funds to meet expenses related to the conference or event.

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

The benchmark costs referred to in the above paragraph may not exceed an amount as determined from time to time by the National Treasury through a notice

The amount referred to 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.

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.

The Accounting officer 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.

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.

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

14. OTHER RELATED EXPENDITURE ITEMS

All commodities, services and products covered by a traversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from saving where lower prices or rates have been negotiated.

Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochure's and other inducements as part or, or during election periods or to fund any activities of any political party at any time.

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.

The municipality or municipal must avoid expenditure on elaborate and expensive office furniture.

The municipality or municipal 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 report must be submitted to the speaker's office.

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.

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

15. ENFORCEMENT PROCEDURES

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

16. DISCLOSURE OF COST CONTAINMENT MEASURES

The disclosure of cost containment measures applied by the municipality will be included in the municipal in-year budget reports and annual costs savings disclosed in annual report.

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 nan appropriate Council Committee for further recommendations and actions.

The reports referred to above must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

17. EFFECTIVE DATE AND REVIEW

The above Policy will take effect from the date of approval by Council and shall be reviewed annually.

**APPROVED BY COUNCIL ON.....2022 UNDER ITEM
NO.....**

MUNICIPAL MANAGER

MAYOR OBO COUNCIL