



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

COST CONTAINMENT MEASURES POLICY 2022/23



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1. PURPOSE

- 1.1 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.
- 1.2 A similar responsibility rests upon senior managers and officials exercising financial responsibilities in terms of Section 78 of the MFMA.
- 1.3 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.
- 1.4 In terms of Section 152 of the Constitution of the Republic of South Africa, the objects of local government are:
 - To provide democratic and accountable government for local communities;
 - To ensure the provision of services to communities in a sustainable manner;
 - To promote social and economic development;
 - To promote a safe and healthy environment; and
 - To encourage the involvement of communities and community organisations in the matters of local government.

It is therefore that the purpose of this policy is to within the framework of the Constitution, direct the Municipality on cost containment measures that must be implemented to ensure that resources of the Municipality are used effectively, efficiently, and economically.

2. BACKGROUND

- 2.1 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.
- 2.2 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 became effective on 1 July 2019. 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.
- 2.3 The policy must:
- a) Be adopted as part of the budget related policies and be published on the municipal website;
 - b) Give effect to the regulations;
 - c) Contain monitoring measures to ensure implementation of the policy;
 - d) Provide for procedures for the annual review thereof; and
 - e) Include consequences for not adhering to the cost containment measures.

3. APPLICATION

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

4. DEFINITIONS

In these Regulations, 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 these regulations; 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.

"Regulation / s" refers to the Municipal Cost Containment Regulations (2019)

5. GUIDING PRINCIPLES

The policy will apply to the procurement of the following goods and services:

- Use of Consultants;
- Vehicles used for political office-bearers;
- Travel and subsistence;
- Domestic Accommodation;
- Credit Cards;
- Sponsorships, events and catering;
- Communication;
- Conferences, meetings, and study tours; and
- Other related expenditure items.

This policy should be read in conjunction with the municipal Supply Chain Policy and other relevant policies.

6. USE OF CONSULTANTS

6.1 Consultants will be appointed in terms of the Municipality's Policy on the Appointment of Consultants and should adhere to regulation 5 of the Regulations. The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full-time employ to perform the function.

6.2 The Municipal Manager will adopt a fair and reasonable remuneration framework for consultants in terms of regulation 5(2) of the Regulations. The following framework can be used as a guideline framework for fair and reasonable remuneration framework for consultant rates –

- 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;
- Set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
- 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 as mentioned above.

6.3 Furthermore, in terms of regulation 5 (4) of the Regulations the Accounting officer will negotiate cost effective consultancy rates for international consultants, considering the relevant international and market determined rates, if and when required.

6.4 A needs assessment will be submitted by the relevant director together with the request for procurement to the supply chain management unit for the appointment or use of a consultant, on the prescribed form.

6.5 When consultants are appointed, an accounting officer or delegated authority must–

- Appoint consultants on a time and cost basis with specific start and end dates;
- Where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
- Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;

- Ensure the transfer of skills by consultants to the relevant officials of the Municipality where relevant;
- Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy; and
- Develop consultancy reduction plans to reduce the reliance on consultants.

7. VEHICLES USED BY POLITICAL OFFICE BEARERS

The municipality does not provide municipal vehicles for utilization by political office bearers.

8. TRAVEL AND SUBSISTENCE

- 8.1 Councillors and officials claiming travel and subsistence will adhere to regulation 7 of the Regulations.
- 8.2 The Municipality's Travel and Subsistence Policy will be subject to the Regulations;
- 8.3 Travel and subsistence claims will be measured by cost effectiveness and fairness.
- 8.4 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).
- 8.5 International flights are limited to events and meetings that are critical.
- 8.6 The number of officials or political office bearers attending critical international events or meetings are limited to those officials or political office bearers who are directly involved in the subject matter related to the event or meeting.
- 8.7 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.
- 8.8 Flight and accommodation cost are 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.

8.9 An official, political office bearer and councillor must:

- utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
- 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, political office bearer or councillor; and
 - iii.) the cost of parking.
- not hire vehicles from a category higher than Group B or an equivalent class; and
- where a different class of vehicle is required for a terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

8.10 In applying sub-paragraph 8.9 the safety, practicality, and risk of such public transport must be considered, the Accounting Officer or Mayor or a person acting in any of these posts may deviate on these grounds based on a request and a detailed motivation that can substantiate the deviation.

8.11 The Municipality must utilise 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.

9. DOMESTIC ACCOMMODATION

9.1 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.

9.2 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.

9.3 Approval for overnight accommodation in sub-paragraph 9.2 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.

10. CREDIT AND PETROL CARDS

- 10.1 The municipality does not make use of credit cards.
- 10.2 Petrol cards are only issued to Municipal Officials for refilling official municipal vehicles in terms of the Fleet Management Policy.
- 10.3 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 will be settled directly by the municipality.

11. SPONSORSHIPS, EVENTS AND CATERING

- 11.1 Catering expenses will not be incurred for any meetings which are only attended by persons in the employment of the municipality, unless prior written approval of the Municipal Manager is obtained.
- 11.2 The Municipal Manager may only incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of the Council that exceeds five (5) hours.
- 11.3 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.
- 11.4 No expenses for alcoholic beverages will be incurred by the municipality.
- 11.5 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.
- 11.6 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 is recovered from affected officials or is an integral part of the business model.

11.7 Notwithstanding sub-paragraph 11.6 expenses for uniforms, office supplies and tools of trade can be incurred by the Municipality.

11.8 No farewell function will be financed from the municipal budget for employees.

12. COMMUNICATION

12.1 Municipal related events will, as far as possible be advertised only on the Municipal official website;

12.2 Any private calls from municipal phones will be recovered from the relevant employee's remuneration on a monthly basis;

12.3 Newspapers and other related publications for the use of municipal employees will not be allowed, unless required for professional purposes and were available in electronic format;

12.4 The current monthly management system will be retained to avoid misuse of municipal telephones and to limit private calls to a minimum; and

12.5 Mobile services may be purchased utilising the transversal contract arranged by the National Treasury for the acquisition of mobile communication services.

13. CONFERENCES, MEETINGS AND STUDY TOURS

13.1 The 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 borders of South Africa taking into account their merits and benefits, costs and available alternatives.

13.2 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 expenses related to the conference or event.

13.3 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 borders of South Africa.

13.4 The benchmark costs referred to in sub-paragraph 13.3 may not exceed an amount as determined from time to time by the National Treasury through a notice.

13.5 The amount referred to in sub-paragraph 13.4 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.

13.6 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.

13.7 The accounting officer of a municipality or municipal entity 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.

13.8 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.

13.9 The 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 sub-paragraph 2.

13.10 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

- 14.1 Where it is possible and feasible and cost effective and efficient to do so, the Accounting Officer will ensure that, before approaching the market, all commodities, and products that the National Treasury designated as transversal contracts are considered, to benefit from savings where lower prices or rates have been negotiated.
- 14.2 Municipal funds will not be used to fund elections, campaign activities, including the provision of food, clothing, printing of agendas and brochures and any other inducements as part of, or during election periods or to fund any activities of any political party at any time.
- 14.3 Expenditure on tools of the trade for political office bearers shall 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 (Act no. 20 of 1998).
- 14.4 Due precaution will be exercised with the refurbishing of offices and the purchasing of equipment in order to avoid expenditure on elaborate and expensive office furniture. With the appointment or election of new persons existing facilities and equipment will be utilised and new equipment must be approved by the Chief Financial officer.
- 14.5 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.
- 14.6 Staff will be encouraged to take additional time off in lieu of payment for overtime worked. Planned overtime will be submitted to the relevant manager for consideration on a monthly basis, and the schedule will be signed off by the relevant manager. Unplanned overtime worked will be motivated and approved by the relevant manager and the approval shall be signed off by the manager who granted the approval. The Manager Human Resources will review the overtime policy to ensure alignment with the Regulations.
- 14.7 The Municipal Manager must ensure that due process is followed when suspending or dismissing staff to avoid unnecessary litigation costs.

15. ENFORCEMENT

Every councillor and staff member are bound to adhere to this Policy and failure to adhere to the Policy. Failure to implement or comply with these Regulations may result in any official of the municipality or political office bearer that authorised or incurred any expenditure contrary to these regulations 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, to be read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

16. DISCLOSURES OF COST CONTAINMENT MEASURES

16.1 The disclosure of cost containment measures applied will be dealt with as stipulated in regulation 15 of the Regulations and more specifically to be included in the following reports:

- a) Quarterly Section 52 report
- b) By-Annually Section 72 report
- c) Annual report

16.2 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.

16.3 The reports referred to in sub-paragraph 16.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

17. MONITORING MEASURES

17.1 The Municipal Manager will annually review the fair and reasonable remuneration framework for consultants during the assessment of consultants' process.

17.2 The Chief Financial officer will ensure that the following documentation is obtained and submitted in writing to the Municipal Manager and Managers reporting to the Municipal Manager:

- a) Negotiated rates for flights and accommodation communicated from time to time by National Treasury.
- b) Maximum allowable rates for domestic accommodation and meals as contained in the notice by National Treasury, from time to time.
- c) Transversal contracts arranged by the National Treasury for the acquisition of mobile communication services.
- d) Transversal contracts designated as such by National Treasury for commodities and products.

17.3 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.

17.4 A system whereby officials are required to sign off on the monthly account relating to telephone calls made on the municipal land lines will be put in place or retained, if in place, in order to recover costs, incurred for private calls made, from the relevant employee's remuneration.

17.5 The personal assistant of the Municipal Manager will keep a record of any deviations approved by the Municipal Manager and submit such report to the mayor on a quarterly basis and to be reported to Council by the Mayor on a quarterly basis. To be aligned with the quarterly Supply Chain Management Policy Implementation Report.

17.6 The following policies or processes will be reviewed to ensure alignment with the Regulations:

- a) Appointment of Consultants Policy;
- b) Annual Assessment of Consultants;
- c) Councillor's Tools of Trade;
- d) Overtime Policy;
- e) Travel and Subsistence Policy;
- f) Fleet Management Policy;
- g) Standby Policy;
- h) Acting Arrangements Policy;
- i) Vehicle Allowance Policy;
- j) Leave Policy;
- k) Donations & Grants in Aid Policy; and
- l) Any other that might be applicable to be added.

DOCUMENT CONTROL

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

Summary: This document describes Cost Containment Measures Policy that will be applicable to the Kannaland Municipality, with effect from 1 July 2022.

Municipal Manager

Mayor

Date

Date