

MUNICIPAL COST CONTAINMENT POLICY



**Munisipaliteit
Municipality
Umasipala**

Reviewed and not Amended

May 2024

SWARTLAND MUNICIPAL COST CONTAINMENT POLICY

LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, No 56 of 2003

Date of adoption: 1 July 2019

The Council of the Swartland Municipality resolves in terms of section 168 (1) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003), the Municipal Cost Containment Regulations (*Government Gazette* No. 42514) to adopted the following as the Cost Containment Policy of the municipality:

TABLE OF CONTENTS

ITEM	CONTENT	<u>PAGE NO.</u>
1	Definitions	2
2	Object of Policy	2
3	Application of Policy	2
4	Use of consultants	3
5	Vehicles used for political office-bearers	4
6	Travel and subsistence	5
7	Domestic accommodation	5
8	Credit and Debit cards	5
9	Sponsorships, events and catering	5
10	Communication	6
11	Conferences, meetings and study tours	7
12	Other related expenditure items	8
13	Enforcement procedures	9
14	Disclosures of cost containment measures	9
15	Short title and commencement	9

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);

"accounting officer" means the Municipal Manager appointed as such by the Council of Swartland Municipality in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"conferences and events" means conferences, events, meetings and study tours hosted or attended by political office bearers or officials of the municipality;

"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 this policy;

"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;

"political office bearer" means the Speaker, Executive Mayor, Deputy Mayor or Member of the Executive Mayoral Committee which for purposes of this policy will have the meaning to include ordinary councillors as referred to in the Municipal Structures Act;

"officials" shall, for the purpose of clarity, include persons reporting directly to the accounting officer; and

"social events" means events involving only municipal councillors and/or officials of the municipality and do not include events where the public is involved or held to the benefit of the public.

2. OBJECT OF POLICY

The object of this policy, in line with sections 62(1) (a) and 78(1) (b) of the Act, is to ensure that resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.

3. APPLICATION OF POLICY

This Policy applies to all officials and political office bearers in Swartland Municipality. This policy overrides provisions of any other policy of the municipality insofar that it seeks to regulate cost containment. In the case of differences between policies, this policy shall take precedence.

4. USE OF CONSULTANTS

- 4.1 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. For purposes of such assessment the template document as per **Annexure A** to this policy must be completed.
- 4.2 The Accounting Officer adopts the below-mentioned reference to rates as the municipality's fair and reasonable remuneration framework for consultants, provided that where no prescribed rates are available, the municipality may from time to time adjust the rates as per prevailing market conditions, limited however to one thousand rand (R1 000) per hour in respect of 2019/20: -
- (a) "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) "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration;
 - (c) rates as prescribed by the body regulating the profession of the consultant, including but not limited to
 - Engineering Council of South Africa (ECSA)
 - South African Council for the Quantity Surveying Profession (SACQSP)
 - South African Council for the Architectural Profession (SACAP)
 - South African Council for the Landscape Architectural Profession (SACLAP)
 - South African Council for Project and Construction Management Professions (SACPCMP)
 - 2018 Guideline Professional Fees in terms of section 29 of the Planning Professions Act (less 30%)
 - June 2009 fee scale as per Draft Guidelines issued by PLATO and SAGI (less 30%)
 - (d) any other reasonable framework prescribed by Professional Bodies and/or spheres of Government.
- 4.3 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 4.2.
- 4.4 Taking into account the above-mentioned rates, the Accounting Officer has delegated powers to consider and approve or reject applications to exceed these rates based on a fully motivated written and signed request by the relevant senior manager in exceptional circumstances.
- 4.5 When negotiating cost-effective consultancy rates for international consultants, the Accounting Officer may take into account the relevant international and market-determined rates.
- 4.6 When consultants are appointed, the Accounting Officer or delegated official in terms of his/her System of Delegation must:
- (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) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements where applicable and appropriate;
 - (d) ensure the transfer of skills by consultants to the relevant officials of the municipality; and
 - (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's Supply Chain Management Policy.
- 4.7 The accounting officer or delegated official in terms of his/her System of Delegation must review its consultancy reduction plan on an annual basis and develop consultancy reduction plans to reduce the reliance on consultants where applicable and appropriate.
- 4.7 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 4.8 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. The senior manager concerned must ensure that contractual deliverables as specified are met by the Service Provider.
- 4.9 No subsistence costs shall be paid to consultants, whereas travel costs of consultants shall be limited to a maximum tariff of R3,61 per km or the amended tariff as may be determined by the South Africa Revenue Service from time to time. This provision shall not apply in respect of contracts entered into prior to the effective date of this policy, i.e. 1 July 2019.
- 4.10 When a housing project implemented by the municipality is subject to the quantum values as determined by the Department of Human Settlements from time to time, those quantum values are accepted as the remuneration applicable to implementing agents and other tenderers.

5. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 5.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive)¹ 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.
- 5.2 The procurement of vehicles as referred to in 5.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 5.3 Before deciding to procure a vehicle as contemplated in 5.1 and 5.2, the Accounting Officer or delegated official in terms of his/her System of Delegation must provide the council with information relating to the following criteria which must be considered-
- (a) status of current vehicles;
 - (b) extent of service delivery backlogs;

¹ Refer MFMA Circular No 97 in terms of which this amount represents "total costs, including financing charges".

- (d) terrain for effective usage of the vehicle; and
 - (e) any other policy of council.
- 5.4 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 185 000 kilometres and in terms of the criteria as determined in the municipality's Fleet Management Policy.
- 5.5 Notwithstanding 5.4, the municipality may replace a vehicle for official use by political office bearers before the completion of 185 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 5.7 The accounting officer or delegated official in terms of his/her System of Delegation must ensure that the use of municipal vehicles for official purposes is addressed in the municipality's Fleet Management Policy.

6. TRAVEL AND SUBSISTENCE

All instances and the extent to which travel and subsistence costs may be incurred and reimbursed to a political office bearer or official shall be addressed by the Accounting Officer or delegated official in terms of his/her System of Delegation in the municipality's Policy with regards to the Payment of Travel- and Accommodation- and Subsistence Costs, provided that – in those instances where it is not possible to secure air travel strictly in terms of National Treasury prescripts, due to among others the availability of flights and accommodation and the timing of appointments, the travel agent acting as service provider on the municipality's behalf shall provide reasons for same.

7. DOMESTIC ACCOMMODATION

All instances and the extent to which accommodation costs may be incurred and reimbursed to a political office bearer or official shall be addressed by the Accounting Officer or delegated official in terms of his/her System of Delegation in the municipality's Policy with regards to the Payment of Travel- and Accommodation- and Subsistence Costs, provided that – in those instances where it is not possible to secure accommodation strictly in terms of National Treasury prescripts, due to among others the non-availability of 3* accommodation and the timing of appointments – the travel agent acting as service provider on the municipality's behalf shall provide reasons for same.

8. CREDIT AND DEBIT CARDS

- 8.1. The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or political office bearer. Debit cards are used for petty cash purposes only and are regulated via the Cash Management policy.
- 8.2. 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, and request reimbursement in accordance with the municipality's approved Travel

and Subsistence Policy and processes.

9. SPONSORSHIPS, EVENTS AND CATERING

- 9.1 In the absence of a definition in the Municipal Cost Containment Regulations published in the Government Gazette 42514 of 7 June 2019, sponsorships shall be deemed for purposes of this policy to exclude financial contributions or donations made in the form of services rendered to events that meaningfully contribute towards local economic development, authorised by the Accounting Officer in his sole discretion, which services could be calculated in monetary terms, such as services rendered to the Berg River Canoe Marathon and KykNet Expo, but limited to events that take place in the West Coast District area.
- 9.2 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the Accounting Officer or delegated official in terms of his/her System of Delegation is obtained and provided that such expenditure may only be incurred in respect of employee wellness events.
- 9.3 The Accounting Officer or delegated official in terms of his/her System of Delegation may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours, provided that a budget exists.
- 9.4 All expenses in terms of 9.2 and 9.3 must be allocated to the mSCOA classification created for catering accounts under the various cost centres the cost relates to.
- 9.5 Entertainment allowances of qualifying officials may not exceed two thousand rand (R2 000) per person per financial year, unless approved otherwise by the Accounting Officer.
- 9.6 The municipality shall not incur expenses on alcoholic beverages.
- 9.7 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality's budgets or by any suppliers or sponsors.
- 9.8 The municipality may not incur expenditure on 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.
- 9.9 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 for ten or more years or retire on grounds of ill health.
- 9.10 Catering (in the form of light refreshments) may be provided for community project engagements hosted by the municipality's Community Development Services Division, given the nature and intent of NGO, PBO and related engagements, provided that such budget exists.

10. COMMUNICATION

- 10.1 Unless required by legislation the municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that allowances to officials for private calls and data costs are limited to an amount as determined by the Accounting Officer.
- 10.2 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.
- 10.3 The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

11. CONFERENCES, MEETINGS AND STUDY TOURS

- 11.1 For purposes of this policy, conferences shall be deemed to exclude those conferences held and arranged by recognised Professional Bodies to which officials of the municipality are formally registered, limited to the following bodies:
- AMEU - Association of Municipal Electricity Utilities
 - CIGFARO - Chartered Institute of Government Finance, Audit & Risk Officers
 - IMPSA - Institute for Municipal People Practitioners of Southern Africa
 - ECSA - Engineering Council of South Africa
 - SARPA - Southern Africa Revenue Protection Association
 - SACSSP - South African Council for Social Services Professions
 - ECSA - Engineering Council of South Africa
 - WMF - Waste Managers Forum
 - IMESA - Institute for Municipal Engineers of South Africa
 - South African Institute of Valuers
 - IMPS-SA - Institute for Municipal Public Safety of Southern Africa
 - IIA - Institute for Internal Auditors,
 - ITLMPOSA - Institute of Traffic, Licensing and Metro Police Officers of Southern Africa and
- provided that approval to attend conferences held by the above-mentioned bodies are dealt with in terms of the municipality's Travel and Subsistence system in Collaborator.
- 11.2. In those instances where it is required from officials who are not members of the above-mentioned professional bodies to attend conferences hosted by such bodies, the Accounting Officer or delegated official in terms of his/her System of Delegation must authorise the deviation and issue approval in terms of the municipality's Travel and Subsistence system in Collaborator. Said authority may only be delegated to senior managers reporting directly to the Accounting Officer, and no further sub-delegation shall be allowed. Not more than two officials will be allowed to attend the same conference.
- 11.3. The threshold of two thousand five hundred rand (R2 500) as referred to in 11.7 shall not apply to the above-mentioned Professional Bodies.
- 11.4 The Accounting Officer may consider applications to attend conferences or events

hosted by professional bodies (other than those listed above) or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives, and provided that pre-approval be obtained in terms of the municipality's Policy with regards to the Payment of Travel- and Accommodation- and Subsistence Costs where applicable and appropriate, provided that such budget exists.

- 11.5 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 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.
- 11.6 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.
- 11.7 The cost to attend a conference or an event by non-governmental institutions may not exceed two thousand five hundred (R2 500) per conference.
- 11.8 The amount referred to in 11.6 and 11.7 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.
- 11.9 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.
- 11.10 The Accounting Officer or delegated official in terms of his/her System of Delegation 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.
- 11.11 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.
- 11.12 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 11.4.
- 11.13 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.
- 11.14 The provisions of this policy do not apply to training and related events in terms of the municipality's approved Workplace Skills Plan as well as training and workshops presented by governmental entities.

12. OTHER RELATED EXPENDITURE ITEMS

- 12.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 12.2 Municipal resources shall 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 election periods or to fund any activities of any political party at any time.
- 12.3 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.
- 12.4 The municipality shall not incur expenditure on elaborate and expensive office furniture.
- 12.5 Subject to 12.6, the municipality may only use the services of the South African Police Service (SAPS) 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.
- 12.6 As the safety of the officials and political office bearers are important, the Accounting Officer may deviate from section 16.5 where the SAPS services required could not be obtained within a reasonable time.
- 12.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. The Accounting Officer or delegated official in terms of his/her System of Delegation shall ensure that matters pertaining to the payment of overtime are regulated in the municipality's Overtime Policy.
- 12.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

Any allegation brought to the attention of the Accounting Officer or Senior Manager must be investigated and will be dealt with in accordance with the Code of Conduct.

14. DISCLOSURES OF COST CONTAINMENT MEASURES

- 14.1 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.
- 14.2 The following initiatives will be implemented during 2019/20:
 - (1) The Vehicle Tracking system will be utilised in a bid to save on fuel costs
 - (2) Entertainment allowances
 - (3) Printing costsIt is recorded that from the cost containment measures implemented in prior years, telephone savings have already materialised.
- 14.3 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.

- 14.4 The reports referred to in 14.3 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

15. SHORT TITLE AND COMMENCEMENT

- 15.1 This policy is in line with the Municipal Cost Containment Regulations published in the Government Gazette 42514 of 7 June 2019 and take effect on 1 July 2019, irrespective of the date of approval of said policy, unless specifically otherwise dictated in this policy.
- 15.2 The Accounting Officer or delegated official in terms of his/her System of Delegation shall ensure that the policy is reviewed annually and submitted in council along with the municipality's budget-related policies, where after the policy shall be communicated on the municipality's website.

**ANNEXURE A
TEMPLATE**

REPORT TO THE MANAGER: SUPPLY CHAIN

SUBJECT: USE OF CONSULTANTS

DIRECTORATE: XXX

AUTHOR: XX XX

DATE: [Select Date]

1. Project Description

Project name, vote no, financial year

2. Assessment of the skills and resources required to implement the project

2.1 Project scope of work

Provide a short description of the scope of work required.

2.2 Skills and resources

List/Discuss the skills and resources required to undertake the scope of work.

3. Internal capacity and/ or resources

Explain why internal capacity and / or resources required are not available to perform the scope of work.

4. Remuneration framework

List the applicable remuneration framework and whether travel and subsistence cost is applicable.

5. Transfer of skills

Indicate if a transfer of skills is to be part of the appointment if applicable and if the specific service should be included in the consultant reduction plan.

6. Budget provision for the appointment of consultant/s

List the budget provision and vote no's.

Contract Manager

DATE

Director of Department

DATE