



COST CONTAINMENT POLICY 2024-2025 DRAFT

This policy was approved by the Special Municipal Council on 27 March 2024.

Item A884 COST CONTAINMENT POLICY (1/1/B)

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1. DEFINITIONS

A word or expression in this Policy has the same meaning as that assigned to it by the Municipal Cost Containment Regulations, 2019, hereinafter referred to as the 'Regulations'.

2. PURPOSE

The purpose of this policy is to give practical effect to the Cost Containment Regulations at Langeberg Municipality.

3. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- 3.1 Ensure that the resources of the municipality are used effectively, efficiently and economically; and
- 3.2 Implement cost containment measures in line with the Regulations.

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 the -

- 5.1 MFMA Circular 82 issued in December 2016;
- 5.2 Municipal Cost Containment Regulations, 2019;
- 5.3 MFMA Circular 97 issued in July 2019; and
- 5.4 Relevant Municipal policies such as:
 - 5.4.1 Travelling and Subsistence Policy;
 - 5.4.2 Grant – in – Aid Policy;
 - 5.4.3 Mayoral Fund Policy;

6. POLICY PRINCIPLES

- 6.1 This policy applies to the following aspects, goods and/or services:
 - (i) Use of consultants
 - (ii) Vehicles used for political office-bearers
 - (iii) Travel and subsistence
 - (iv) Accommodation

- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Other related expenditure items

7. USE OF CONSULTANTS

- 7.1 Consultants may only be appointed on approval of the Municipal Manager 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 the requisite skills or sufficient capacity in its 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 basis, specifying deliverables and the associated remuneration;
 - (iii) Ensure that cost ceilings are included to specify the contract price as well as travel and subsistence 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.
- 7.7 Where appropriate and possible, a transfer of skills to municipal employees must be done by consultants to reduce the dependency of the municipality on consultants.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 8.1 The threshold for vehicle purchases relating to official use by political office-bearers may not exceed Seven Hundred Thousand Rand, or 70% of the total annual remuneration package for the different office bearers, whichever is lowest.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism unless it can be procured at a lower cost.

- 8.3 Before deciding to procure a vehicle as contemplated in 8.2, the Chief Financial Officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
 - (ii) Affordability and cost effective options for financing the vehicle
 - (iii) Extent of service delivery backlogs
 - (iv) Terrain for effective usage of the vehicle
 - (v) Any other policy of council
- 8.4 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 8.5 Notwithstanding 8.4, the municipality may replace vehicles for official use by political office bearers before the completion of 120 000 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.
- 8.6 Only one vehicle will be purchased by the municipality for official use by the political office bearers, the primary user of the vehicle being the Executive Mayor.
- 8.7 The vehicle referred to above shall be administered and controlled by the Mayoral Office provided each political office bearer who used the vehicle must complete the log sheet for the official trip that was undertaken.

9. VEHICLES USE BY OFFICIALS AND COUNCILLORS

- 9.1 Only Senior Managers and staff receiving a vehicle allowance or which are on the essential vehicle scheme allowance must use their own vehicles to perform Municipal duties within or outside the boundaries of the Langeberg municipal area. No other staff member may use their own vehicle to perform Municipal duties within or outside the Langeberg municipal area except with written authorisation from their relevant Director or Manager. However, the Municipal Manager may authorise Senior Managers to use appropriate municipal vehicles when it is cost effective, efficient and operationally possible.
- 9.2 No trips must be done by staff on private vehicles outside the municipal area without the recommendation of the relevant Director and approval of the Municipal Manager.
- 9.3 All claims for travelling for senior managers shall be paid in terms of the rates as prescribed by the Department of Transport and for all other staff in line with the municipal Travel and Subsistence Policy. Any travel claims paid in terms of AA or any other rates shall be deemed fruitless and wasteful expenditure.
- 9.4 When Councillors attend an official meeting, either delegated by the municipal council or by an invitation outside of the municipal area, the councillors may use their private vehicles and submit a claim for the mileage travelled and any toll fees paid for the trip.

- 9.5 In the event that more than one councillor is attending the same meeting/ event, the councillors concerned shall travel in one vehicle and only the owner of the vehicle will be permitted to submit a claim for the trip indicating who was the co-passenger on the that trip.

10. USE OF ACCOMMODATION AND TRAINING

- 10.1 Accommodation and subsistence expenses will only be refunded if booked or incurred in terms of the policy of the municipality.
- 10.2 Training must be done at institutions available within the Western Cape Province. Only in exceptional cases where such training is not available within the province, it may be attended outside the province in which case it may only be attended after approval of the Municipal Manager.
- 10.3 All air travel must be in economy class and the most affordable airline must be used.

11. TRAVEL & SUBSISTENCE

- 11.1 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 or councillors that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 11.2 When travelling for official purposes, officials or councillors 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.
 - (iii) Not hire vehicles from a category one higher than the cheapest; and
 - (iv) A different class of vehicle may only be hired after the approval of the municipal manager.
- 11.3 The negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available, must be utilised.
- 11.4 When attending any event away from the municipality for longer than a day, a cost analysis must be done to determine whether it will be feasible to stay overnight. In such a case or where it is an event of a duration of a day and the event is a considerable distance away, overnight costs may be approved for safety reasons or reasons of a personal nature.

12. ACCOMMODATION

- 12.1 Costs incurred for accommodation and meals must be in accordance with the Travel and Subsistence Policy.

13. TELEPHONE, CELLPHONE, COMPUTER USAGE AND PRINTING

- 13.1 The Telephone Management System must be implemented fully and staff may only use their issued pin codes. All private calls are for the account of the employee concerned and may not exceed a value of Fifty Rand per month unless approved by the Director of that Department.
- 13.2 Cell phones and 3G cards may only be issued to staff whose duties require such devices and these must be used optimally. Municipal cell phones and 3G cards are not a right but a privilege offered to staff to perform duties assigned to them.
- 13.3 The Document Management System must be used instead of printing hard copies in order to reduce printing costs.

14. CREDIT CARDS

- 14.1 No credit card or debit card linked to a bank account of the municipality may be issued to any official or councillor.
- 14.2 Where officials or councillors incur expenditure in relation to official municipal activities, they must use their personal credit cards or cash, and request reimbursement from the municipality in terms of the Travel and Subsistence Policy.

15. SPONSORSHIPS, EVENTS & CATERING

- 15.1 No catering expenses for meetings that are only attended by persons in the employ of the municipality may be incurred, unless prior written approval is obtained from the municipal manager.
- 15.2 Catering expenses may be approved by the municipal manager for the following, if the following exceed five hours:
 - a. Hosting of meetings;
 - b. Conferences;
 - c. Workshops;
 - d. Courses;
 - e. Forums;
 - f. Recruitment interviews; and
 - g. Council proceedings
- 15.3 Entertainment allowances of officials may not exceed Two Thousand Rand per person per financial year, unless approved by the municipal manager.
- 15.4 Expenditure on alcoholic beverages may not be incurred and will not be refunded.

- 15.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other similar functions may not be financed from the municipal budget or by any municipal service provider or sponsor.
- 15.6 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.
- 15.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health but may not exceed the limits of the petty cash usage as approved by the municipality for this purpose.
- 15.8 The municipality may only donate or consider a grant in aid after compliance with applicable legislation. Such donations or grants may only be made or considered where the activity in respect of which it is considered is in line with the core functions and obligations of the municipality as prescribed in legislation.
- 15.9 No sponsorship or donation can be considered for any other government department, sporting body or community-based organisation unless such sponsorship or donation will promote or be in line with the objects of Local Government as stipulated in section 152 of the Constitution of the Republic of South Africa or the Integrated Development Plan of the municipality.

16. COMMUNICATION

- 16.1 Except when required by legislation, all municipal advertisements must, as far as possible, be advertised on the municipal website, instead of in newspapers.
- 16.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 16.3 The subscription to newspapers and other publications for official information must be discontinued on the expiry of existing contracts or supply orders.
- 16.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury except if it can be procured at a better price.
- 16.5 The provision of diaries is limited to secretaries. Only electronic diaries must be kept where necessary by directorates.

17. CONFERENCES, MEETINGS & STUDY TOURS

- 17.1 Appropriate benchmark costs and available funds must be taken into account when considering any application to attend a conference or event within and outside the borders of South Africa.
- 17.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 17.3 When considering the attendance of conferences or events within and outside the borders of South Africa, the council or municipal manager must take the following into account:

- i. The official's or councillor's 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 councillors or officials to attend the conference or event, not exceeding three; and
 - iv. Availability of funds to meet expenses related to the conference or event.
- 17.4 The amount referred to in 17.2 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.
- 17.5 When considering the cost for conferences or events, the cost of items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events, must be excluded.
- 17.6 The attendance of conferences will be limited to one per annum per person and a maximum of two employee delegates.
- 17.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 17.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 17.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 17.10 The municipal manager determines who may attend in the case of officials and the executive mayor determines if the municipal manager may attend. The Council or the executive mayor determines if councillors may attend.

18. OTHER RELATED EXPENDITURE ITEMS

- 18.1 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 except when it can be procured at a better price,
- 18.2 Municipal resources may not be used to fund elections and/or campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

19. OVERTIME

- 19.1 All requests for any staff to work overtime must be approved by the Municipal Manager or the relevant Director before the work is undertaken. All overtime claims where the application does not have the APPROVED stamp of the Municipal Manager or any form of proof of authorisation must not be paid. When officials

attend events away from the office, no overtime will be applicable for travelling and attendance. The statutory limits to overtime must be observed.

20. ENFORCEMENT PROCEDURES

- 20.1 Failure to implement or comply with this policy may result in any official of the municipality or councillor 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.

21. DISCLOSURES OF COST CONTAINMENT MEASURES

- 21.1 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.
- 21.2 With the implementation of the cost containment measures, the measures that have been implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, 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.

22. IMPLEMENTATION & REVIEW PROCESS

- 22.1 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.

23. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- 23.1 Non-compliance with this policy constitutes misconduct and will be grounds for dismissal if found guilty.
- 23.2 Any person must report an allegation of non-compliance of the Cost Containment Policy to the municipal manager.
- 23.3 The allegation must ensure that the allegation is investigated and if frivolous, speculative or unfounded, terminate the investigation.
- 23.4 If the municipal manager determines that the allegation is founded, a hearing must be conducted by in accordance with the employment conditions in respect of employees, and the Code of Conduct in respect of Councillors.

24. SHORT TITLE

This policy shall be called the Cost Containment Policy of the Langeberg Local Municipality.