



**COST CONTAINMENT POLICY**  
**2019/2020 FINANCIAL YEAR**



## 1. SCOPE

The object of this policy is to ensure that resources are used effectively, efficiently and economically by implementing cost containment measures in accordance with the provisions of the regulatory frameworks.

Each municipality must revise and implement a cost containment policy which is adopted by the municipal council as part of its budget related policies, and which is consistent with the Act and Regulations.

The cost containment policy must:

- Be in writing;
- Be reviewed annually, as may be appropriate;
- Be communicated on the website; and
- set out measures for ensuring implementation of the policy, procedures for the annual review of the policy; and consequences for non-adherence to the measures contained herein.

## 2. DEFINITIONS

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 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 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;

“**credit card**” means a card issued by a financial service provider, which creates a revolving account and grants a line of credit to the cardholder

## 3. USE OF CONSULTANTS

3.1 The following procedure have been implemented for the appointment of consultants:

- All appointments already made to date (i.e. procurement processes that have been completed) to continue as normal and no additional reporting / approval is required.
- All NEW appointments (including bids currently in process) must be motivated to the municipal manager with the following supporting documentation:
  - covering letter requesting appointment of consultant
  - needs analysis as per the attached example.

- The municipal manager will use his discretion in either approving / rejecting the request, or alternatively referring the request to the Mayoral Committee for further consideration.

3.2 The definition of consultants includes the whole mSCOA category of outsourced services / business and advisory services as well as the consultants and professional services sections. Departments unbundled their budgets for into various line items showing the exact purpose of the consultants in line with the definitions shown below.

The first section (outsourced services // business and advisory) are defined as follows:

*“The municipality should have the capacity and expertise to carry out certain services, but for some reasons not utilising their own staff. The reasons might include temporary incapacity or the outsourcing of services to save costs, for example cleaning, security and recruitment. In evaluating the classification of outsourced services it should be established whether the services being procured could have been provided by the municipality itself. It could also be that the municipality ordinarily has the expertise to provide the service but temporarily could not do so or to save costs.”*

The second section, being consultants and professional services, are defined as follows:

*“Consulting services refer to specialist services and skills provided that are required for the achievement of a specific objective, with the aim of providing expert and professional advice on a time and material basis. It is unnecessary to maintain these skills in-house, since they are required on a once-off or temporary basis. Therefore, a consultant is a professional person appointed by the department to provide technical and specialist advise or to assist with the design and implementation of specific projects/programs. The legal status of this person can be an individual a partnership or a corporation. The fact that a consultant is defined as a professional person implies that the consultant is professionally qualified. The provision of advice or service is in line with a contractual arrangement. Remuneration is usually based on an hourly fee or a fixed fee for a product/deliverable. This category consists of groups for "Business and Advisory Services", "Infrastructure and Planning", "Laboratory" and "Legal Service".*

The process of individual motivation of consultants and the detailed costing of consultants will lead to better decision making on insourcing / outsourcing or permanent appointment of staff where a recurring need to make of consultants are identified.

#### **4. VEHICLES USED FOR POLITICAL OFFICE BEARERS**

4.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R700 000 or 70% of the total annual remuneration package for different grades, whichever is greater.

- 4.2 The procurement of vehicles must be undertaken using the national government transversal contract mechanism.
- 4.3 Another procurement process may be followed provided the chief financial officer provides the council with information relating to the following:
- a) Status of current vehicles:
  - b) Affordability;
  - c) Extent of service delivery backlogs;
  - d) Terrain for effective usage of vehicles; and
  - e) Any other policy of council.
- 4.4 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 km or less only where the vehicle experiences serious mechanical problems or is in a poor condition, subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

## **5. TRAVEL AND SUBSISTENCE**

- 5.1 The travel and subsistence policy must be in compliance with the NT prescriptions on travel and subsistence.
- 5.2 The appointed travel agent must also be registered on National Treasury's Central Supplier Database and ensures compliance to the Circular.
- 5.3 All officials to travel economy class. The accounting officer and officials reporting directly to the accounting officer, may purchase business class tickets only if the flight exceeds 5 hours.
- 5.4 Only international travel to meetings or events that are considered critical will be allowed. The number of officials attending such meetings must be limited to those officials directly involved in the subject matter related to such meetings or events.
- 5.5 Officials must make use of the shuttle service if the cost of such service is lower than the cost of hiring a vehicle; the cost of kilometres claimable by the employee; and the cost of parking.
- 5.6 Vehicles may not be hired from a category higher than group B or an equivalent class. Where a different class is required, the written approval must be sort from the accounting officer before hiring the vehicle.
- 5.7 The municipal must utilise the negotiated rates for flights and accommodation, communicated by the National Treasury, from time to time, or any other cheaper available flight and accommodation.

## **6. CREDIT AND DEBIT CARDS**

The municipality may not make use of credit or debit cards.

## **7. SPONSORSHIPS, EVENTS AND CATERING COST**

- 7.1 Catering is minimised for meetings and only meetings held longer than 5 hours are considered for catering.
- 7.2 No year-end functions will be held at either Council's cost or time.
- 7.3 Gifts are managed by the marketing division and only low value token gifts are allowed where absolutely necessary.
- 7.4 All entertainment budgets are capped at R2 000 per financial year per person qualifying for entertainment expenses – any staff related functions such as farewell functions are funded from the entertainment budgets unless the employee had at least 10 years' service.
- 7.5 Expenditure may be incurred 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, not exceeding the limits for petty cash usage.
- 7.6 No expenditure may be incurred on alcoholic beverages.
- 7.7 No expenditure may 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 costs related thereto are recovered from affected officials.

## **8. COMMUNICATION**

- 8.1 Municipal events and public information must be listed on the website. Government Gazettes and local media must be used to ensure compliance with the Municipal Finance Management Act as well as the Municipal Systems Act. To further enhance communication, the local radio stations must be used.
- 8.2 Private telephone calls must be tracked and deducted from staff salaries.
- 8.3 Newspaper subscriptions must be reduced to the bare minimum.
- 8.4 The municipality must use the NT transversal contract on mobile communication services, if feasible.

## **9. DOMESTIC ACCOMMODATION / CONFERENCES, MEETINGS AND STUDY TOURS**

- 9.1 Conferences must only be attended if hosted by the professional bodies of local government.
- 9.2 Delegations must be limited to no more than 3 officials per conference.
- 9.3 The accounting officer must ensure that meetings and planning sessions are, as far as may be practically possible, held in-house.

- 9.4 Municipal or provincial office facilities must be utilised for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- 9.5 The accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates as communicated by the National Treasury, from time to time.

## **10. OTHER RELATED EXPENDITURE ITEMS**

- 10.1 Office furnishings – The budget for furniture must be approved by the Budget Steering Committee and only where new positions are created, or furniture are damaged will new furniture be procured. Old furniture must also be repaired and re-upholstered where possible to further reduce the cost of new furniture.
- 10.2 Staff study, perks and suspension costs – Staff are required to repay study cost where they do not pass their exams. Staff above the threshold set by the Department of Labour are not paid overtime but get time off in lieu of overtime worked.
- 10.3 NT transversal contracts are used insofar as practically possible.
- 10.4 Security to the Mayor must only be provided after security assessments have been done.
- 10.5 Printing are minimised and meeting agendas must be circulated electronically.
- 10.6 Energy saving measures must be applied in the municipality.
- 10.7 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during election periods.

## **11. ENFORCEMENT PROCEDURES**

Failure to implement or comply with this policy may result in any official of the municipality or political office bearer or director of the board that authorised or incurred any expenditure contrary to these regulations being held liable for financial misconduct as set out in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

## **12. DISCLOSURE OF COST CONTAINMENT MEASURES**

- 12.1 The disclosure of cost containment measures applied by the municipality must be included in the municipal in-year budget reports and annual cost savings disclosed in the annual report.
- 12.2 The measures implemented, together with the regular reports on reprioritisation 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

may refer the reports to an appropriate Council Committee for further recommendations and actions.

12.3 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.

**13. COMMENCEMENT**

This policy will commence on 1 July 2019, and must be reviewed annually together with the budget related policies.