DRAFT
MUNICIPAL COST
CONTAINMENT POLICY

WITZENBERG
Municipality • Munisipaliteit • UMasipala Wase

July 2019
MUNICIPAL COST CONTAINMENT POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, No 56 of 2003
Date of adoption: 1 July 2019

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

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1. **DEFINITIONS**

In the 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);
- "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 the policy; 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.

2. **OBJECT OF POLICY**

The object of this policy 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 the municipality.

4. **COST CONTAINMENT**

The municipality must develop and implement a cost containment policy which must-

(a) be adopted by council as part of its budget related policies; and

(b) be consistent with the Act and the Cost Containment Regulation

5. **USE OF CONSULTANTS**

The use and appointment of consultants will be in line with the cost regulations and Council's policy on municipal supply chain.

6. **VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

(1) 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.

(2) The procurement of vehicles in sub-regulation (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

(3) Before deciding to procure a vehicle as contemplated in sub-regulation (2), 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 sub-regulation
(1);
(c) extent of service delivery backlogs;
(d) terrain for effective usage of the vehicle; and
(e) any other policy of council.
(4) If the rental referred to in sub-regulation (3) is preferred, the accounting officer
must review the costs incurred regularly to ensure that value for money is obtained.
(5) Regardless of their usage, vehicles for official use by political office bearers may
only be replaced after completion of 120 000 kilometres.
(6) Notwithstanding sub-regulation (5), a municipality or municipal entity may replace a
vehicle for official use by political office bearers before the completion of 120
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.
(7) The utilisation of municipal vehicles for official purposes is contained in the Fleet
Management Policy.

7. TRAVEL AND SUBSISTENCE
The Municipal policy on travel and Subsistence will be applicable. The hiring of private vehicles,
as refer to in the cost containment policy will not be allowed.

8. DOMESTIC ACCOMMODATION
Accommodation arrangements will only be approved if the return trip undertaken
by any official and or Councillor, for official purposes is more than 500km. All
bookings will be made as prescribe by the cost containment regulations.

9. CREDIT AND DEBIT CARDS
(1) The use of any credit and debit card for municipal activities are forbidden.
(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 written approved Travel and
Subsistence Policy and processes.

10. SPONSORSHIPS, EVENTS AND CATERING
(1) 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 is obtained.
(2) The accounting officer may incur catering expenses for the hosting of meetings,
conferences, workshops, courses, forums, recruitment interviews, and proceedings
of council that exceed five hours.
(3) Entertainment allowances of qualifying officials may not exceed two thousand
rand per person per financial year, unless approved otherwise by the accounting
officer.
(4) The municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

(5) 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.

(6) 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.

(7) 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.

11. COMMUNICATION

(1) The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.

(2) 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.

(3) Newspapers and other related publications must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.

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

12. CONFERENCES, MEETINGS AND STUDY TOURS (HR Manager to ensure if such policies and procedures exist)

(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.

(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.

(3) An 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.

(4) The benchmark costs referred to in sub-regulation (3) may not exceed an amount
as determined from time to time by the National Treasury through a notice.

(5) The amount referred to in sub-regulation (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.

(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.

(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.

(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.

(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-regulation (2).

(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.

13. OTHER RELATED EXPENDITURE ITEMS

(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.

(2) Municipal resources may 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.

(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.

(4) The municipality must avoid expenditure on elaborate and expensive office furniture.

(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.

(6) 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. (Refer to Overtime Policy)

(7) A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs. (Refer to Disciplinary Policy)

14. ENFORCEMENT PROCEDURES
Failure to implement or comply with this policy may result in any official of the municipality, political office bearer or director of the board that authorised or incurred any expenditure contrary to this policy 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 read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

15. **DISCLOSURES OF COST CONTAINMENT MEASURES**

(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.

(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.

(3) The reports referred to in sub-regulation (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.

16. **SHORT TITLE AND COMMENCEMENT**

The Municipality Cost Containment 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.