

**COST
CONTAINMENT
POLICY**

PREAMBLE

This policy document seeks to implement National Treasury instruction 01 of 2013/14; Government Gazette 37042 dated 15 November 2013 and MFMA Circular 70 of 3 December 2013.

The following measures must be implemented, consistently with immediate effect to ensure the containment of costs: -

1. Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners

Measure

- ❖ Directors must ensure compliance with all the relevant policies and procedures, as it relates to employment contracts, for the aforementioned employment categories.

Controls

- ❖ Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Administration, Monitoring and Evaluation Directorate (AME), ensure compliance.

2.

- ❖ The Administration, Monitoring and Evaluation Directorate must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011)
- ❖ The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies.

2. Travel claims

Measure

- ❖ Ensure effective control over travel claims.

Controls

- ❖ Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.
- ❖ Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.
- ❖ The respective Directors should exercise control over the distances travelled.

3. Essential Vehicle User Scheme

Measure

- ❖ Limit expenditure under the scheme and apply the applicable policies and procedures consistently.

Controls

- ❖ Policy guidelines must be formulated by the Administration, Monitoring and Evaluation Directorate relating to the type of vehicles to be purchased by qualifying employees, requiring vehicles for the execution of their duties.

4. Acting Allowances

Measure

Acting allowances must be paid in accordance with the applicable HR policies, SALGBC Collective Agreements and any applicable legislation.

Controls

- ❖ Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
- ❖ Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
- ❖ Acting **must** only be permitted in funded vacant positions.
- ❖ Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
- ❖ Acting for extended periods **must** be discouraged, unless **motivated** to the Municipal Manager, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

5. Overtime

Measure

- ❖ Overtime must be undertaken in compliance with all relevant policies, SALGBC Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act).

Controls

- ❖ Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.

- ❖ Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).
- ❖ The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Municipal Manager prior** to the actual overtime being worked.
- ❖ The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
- ❖ The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- ❖ The Administration, Monitoring and Evaluation Directorate must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

6. Catering, Refreshments & Entertainment

National Treasury instruction 01 of 2013/2014 as it relates to expenses for catering and events, states the following: -

- i. **Constitutional institutions** may not incur catering expenses for **internal meetings**, i.e. for meetings attended only by **persons in its employ**, unless approved by the accounting officer.
- ii. **Constitutional institutions** may not incur expenses on **alcoholic beverages**, except for instances where alcohol is to be served at functions relating to: -
 - a. State banquets;
 - b. The promotion of South Africa and any of its goods or services; or
 - c. The hosting of foreign dignitaries.
- iii. The Accounting officers must ensure that team building exercises and social functions, including year-end functions, **are not financed from the budgets of their respective establishments or by any suppliers or sponsors.**

In implementing the aforementioned instruction, the following control measures are applicable as it relates to catering and entertainment: -

Control Measures

- ❖ Apart from tea, coffee and muffins, **no catering and refreshments** will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
- ❖ At the discretion of the Municipal Manager, catering and refreshments **may** only be provided at meetings with overseas visitors and other spheres of government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.

7. **Attendance of Conferences, Seminars & Workshops**

Measures and Controls

- ❖ Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.
- ❖ The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the Municipality.
- ❖ Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
- ❖ In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Municipal Manager.

8. **Municipal Workshops, Retreats, Strategic Sessions and Internal training**

Controls

- ❖ Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
- ❖ The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.
- ❖ Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
- ❖ The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.
- ❖ Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Municipal Manager approving the use of external venues.

9. **Projects /Programme Launches**

Controls

- ❖ The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.

- ❖ When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

10. Use of Consultants

National Treasury instruction 01 of 2013/2014 as it relates to expenses for the use of consultants, states the following: -

- i. **Constitutional institutions** may only contract in consultants after a gap analysis has confirmed that the constitutional institution concerned does not have the requisite skills or resources in its fulltime employ to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the accounting officer.
- ii. Consultants may only be remunerated at the rates: -
 - a. Determined in the "Guideline for fees", issued by the South African Institute of Chartered Accountants (SAICA);
 - b. Set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA), or
 - c. Prescribed by the body regulating the profession of the consultant.
- iii. Hotel accommodation and related costs in respect of consultants may not exceed the amount of R1300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount. Air Travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa (AA SA).
- iv. All contracts of consultants must include penalty clauses for poor performance and in this regard, accounting officers must invoke such clauses where deemed necessary.
- v. Accounting officers must develop consultancy reduction plans by 31 March of each year for implementation in the ensuing financial year. The first consultancy reduction plan required in terms of Treasury instruction 01 of 2013/2014 must be developed before 31 March 2014 for implementation in the 2014/2015 financial year.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants.

Measure

- ❖ The use of consultants **must** be reviewed and curtailed.

Controls

- ❖ All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Director concerned, endorses the procurement process.

- ❖ Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
- ❖ Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.
- ❖ Any SLA or contract signed with consultants, must include
 - (i) penalty clauses for poor performance,
 - (ii) clauses that deal with skills transfer,
 - (iii) period of the contract must be clearly stated, amongst other pertinent clauses.
- ❖ Directorates who deal with Consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.
- ❖ The Municipal Manager **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

11. Telephone Costs (Landlines)

Measure

- ❖ The Council's policy relating to payment for private calls must be fully enforced by all Directorates.

Controls

- ❖ The cost of private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), so that the necessary deductions can be made from the affected municipal employees' salaries.

12. Uniforms and Clothing

Controls

- ❖ A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.
- ❖ A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

13. Travel and Subsistence

In line with the National Treasury instruction 01 of 2013/2014, as it relates to travel and subsistence expenses, the following control measures must be implemented: -

Control measures

- ❖ Only economy class tickets to be purchased for employees and Councillors, where the flying time of the flight is five (5) hours or less.
- ❖ The Municipal Manager may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.
- ❖ Purchasing of air tickets for first class travel is not permitted, under any circumstances.
- ❖ Domestic hotel accommodation linked to travel and subsistence may not exceed R1 300 per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.
- ❖ The amount of R1300 quoted above may be exceeded with approval of the Municipal Manager in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.
- ❖ Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.
- ❖ Sharing of the mode of transport when Employees / Councillors travel to the same destination.
- ❖ Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).
- ❖ When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).
- ❖ Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

14. GENERAL MEASURES TO BE IMPLEMENTED

- ❖ In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.

- ❖ E-Learning methods should be considered for in-house training.
- ❖ Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.
- ❖ Where possible, transversal contracts must be used for the procurement of goods and services.
- ❖ Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.
- ❖ Bulk purchases should be considered for regularly consumed inventory.

15. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY

The Cost Containment Policy (CCP) was approved by Council on 29 March 2016; and is thus effective as from this date.

16. MONITORING AND EVALUATION

Directors are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.

The required reporting framework will be developed by the Director: Administration, Monitoring and Evaluation and will be made available to all Directors. The Directors **must** report on the implementation of the CCP, to the Portfolio Committees and the Mayoral Committee on a quarterly basis.