



CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

COST CONTAINMENT POLICY

JULY 2019

**Adopted by Council:
Implemented:**

Table of Contents

1.	DEFINITIONS	3
2.	OBJECTIVE	3
3.	USE OF CONSULTANTS	4
4.	VEHICLES USED BY POLITICAL OFFICE BEARERS	6
5.	TRAVEL AND SUBSISTANCE	7
6.	DOMESTIC ACCOMMODATION / CONFERENCES, MEETINGS AND STUDY TOURS.....	9
7.	CREDIT CARDS AND DEBIT CARDS	9
8.	SPONSORSHIPS, EVENTS AND CATERING COST	10
9.	COMMUNICATION	10
10.	CONFERENCES, MEETINGS AND STUDY TOURS.....	11
11.	OTHER RELATED EXPENDITURE ITEMS	12
12.	ENFORCEMENT PROCEDURES.....	13
13.	DISCLOSURE OF COST CONTAINMENT MEASURES	13

1. DEFINITIONS

"Accounting Officer" a person appointed in terms of section 82(l) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of a municipality in terms of section 60 of the MFMA;

"Council" the municipal council of the **Cape Winelands District Municipality** and it referred to in section 18 of the Municipal Structures Act;

"Mayor" the councillor elected as the executive mayor of the municipality in terms of section 55 of the MSTA;

"Official" –

- (a) An employee of the municipality;
- (b) A person seconded to the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) A person contracted by the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"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;

"political office bearers"

2. OBJECTIVE

The objective 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.

3. USE OF CONSULTANTS

3.1 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.

3.2 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.”

3.3 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".

3.4 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.

3.5 All new appointments (including bids currently in process) the following conditions and or approvals is applicable and required:

3.6 Consultants may only be appointed if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full -time employment to perform the function.

3.7 An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -

3.7.1 determined in the "Guideline on fees for audits undertaken on behalf of the Auditor - General of South Africa ", issued by the South African Institute of Chartered Accountants;

3.7.2 set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration;
or

3.7.3 as prescribed by the body regulating the profession of the consultant.

3.8 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 3.7.

3.9 When negotiating cost -effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market -determined rates.

3.10 When consultants are appointed, an accounting officer must -

- i. appoint consultants on a time and cost basis with specific start and end dates;
- ii. where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;

- iii. ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- iv. ensure the transfer of skills by consultants to the relevant officials of a municipality;
- v. undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality supply chain management policy; and
- vi. develop consultancy reduction plans to reduce the reliance on consultants.

3.11 All contracts with consultants must include a fee retention or penalty clause for poor performance.

3.12 The specifications and performance must be used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

3.13 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

3.14 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

4. VEHICLES USED BY POLITICAL OFFICE BEARERS

4.1 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.

4.2 The procurement of vehicles in 4.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

4.3 Before deciding to procure a vehicle as contemplated in 4.1, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:

- i. status of current vehicles;
- ii. 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 4.1;
- iii. extent of service delivery backlogs;
- iv. terrain for effective usage of the vehicle; and
- v. any other policy of council.

4.4 If the rental referred to in 4.3 is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

4.5 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

4.6 Notwithstanding 4.5, a vehicle may only be replaced 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.

4.7 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

5. TRAVEL AND SUBSISTANCE

5.1 An accounting officer -

- i. may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
- ii. may only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.- **should be excluded**

5.2 In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours. **should be excluded**

5.3 Notwithstanding sub -regulation 5.1 and 5.2, an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.

5.4 international travel will be limited to meetings or events that are considered critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meetings or events.

5.5 An accounting officer, or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only -

- i. during peak holiday periods; or
- ii. when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.

5.6 An official or a political office bearer must -

- i. utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
- ii. make use of available public transport or a shuttle service if the cost of such a service is lower than -
 - a. the cost of hiring a vehicle;
 - b. the cost of kilometres claimable by the official or political office bearer; and
 - c. the cost of parking.
- iii. not hire vehicles from a category higher than **Group B (include annexure)** or an equivalent class; and

- iv. where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

5.7 The municipality must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

6. DOMESTIC ACCOMMODATION / CONFERENCES, MEETINGS AND STUDY TOURS

6.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.

6.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

7. CREDIT CARDS AND DEBIT CARDS

7.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality is issued to any official or political office bearer, including members of the board of directors of municipal entities.

7.2 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 policy and processes.

8. SPONSORSHIPS, EVENTS AND CATERING COST

8.1 A 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.

8.2 An 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.

8.3 Entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.

8.4 Expenditure may not be occurred on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

8.5 An 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 budget or by any suppliers or sponsors.

8.6 Expenditure may not be occurred 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.

8.7 An 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. COMMUNICATION

9.1 A municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.

9.2 An 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 in the cost containment policy of the municipality.

9.3 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.

9.4 A municipality may participate in the transversal term contract.

10. CONFERENCES, MEETINGS AND STUDY TOURS

10.1 An 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.

10.2 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 -

- i. the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
- ii. whether the conference or event addresses relevant concerns of the institution;
- iii. the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
- iv. the availability of funds to meet expenses related to the conference or event.

10.3 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.

10.4 The benchmark costs referred to in 10.3, may not exceed an amount as determined from time to time by the National Treasury through a notice.

10.5 The amount referred to in 10.4 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.

10.6 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.

10.7 The accounting officer 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.

10.8 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.

10.9 An 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 10.2.

10.10 A 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. OTHER RELATED EXPENDITURE ITEMS

11.1 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.

11.2 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.

11.3 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.

11.4 Expenditure on elaborate and expensive office furniture must be avoided.

11.5 A 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.

11.6 A 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.

11.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

12. ENFORCEMENT PROCEDURES

12.1 Failure to implement or comply with these Regulations may result in any official of the municipality or political office bearer that authorised or incurred any expenditure contrary to these regulations 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.

13. DISCLOSURE OF COST CONTAINMENT MEASURES

13.1 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.

13.2 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.

13.3 The reports referred to in sub -regulation 13.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.