

MOSSEL BAY MUNICIPALITY



COST CONTAINMENT POLICY

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1. INTRODUCTION

The Minister of Finance first announced during the February 2016 Budget Speech and the October 2016 Medium Term Budget Policy Statement that the National Treasury would issue regulations on cost containment measures for local government. This is in line with Government's policy to implement cost-saving measures across all three spheres of government to assist in re-prioritising expenditure and free up resources that can be better targeted towards service delivery.

The Regulations were finalised and published on 7 June 2019 in the Government Gazette, with the effective date being 1 July 2019.

Section 168(1)(b) and (p) of the Municipal Finance Management Act (Act No. 56 of 2003), provides that the Minister may regulate financial management and internal controls and any other matter that may facilitate the enforcement and administration of the Act. The Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019 are aimed at ensuring that the resources of municipalities are used effectively, efficiently and economically.

2. PREAMBLE

2.1 In terms of the legal framework, elected Councils and Accounting Officers are required to institute appropriate measures to ensure limited resources and public funds are appropriately utilised to ensure value for money is achieved in fulfilling the municipality's mandate.

2.2 Section 4 of the Regulations requires Mossel Bay Municipality to develop a Cost Containment Policy.

3. PURPOSE OF THE POLICY

3.1 In terms of Section 152 of the Constitution of the Republic of South Africa, the objects of local government are:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and
- To encourage the involvement of communities and community organisations in the matters of local government.

3.2 The purpose of this policy is to within the framework of the Constitution direct the Municipality on cost containment measures that must be implemented to ensure that resources of the Municipality are used effectively, efficiently and economically.

4. APPLICATION OF POLICY

4.1 This Policy applies to all Political office-bearers, Councillors and Officials in the Municipality.

~~4.2~~

5. DEFINITIONS

In this policy, unless the context indicates otherwise –

"Act" means the Local Government: Municipal Finance Management Act (No. 56 of 2003);

"Accounting Officer" means the Municipal Manager appointed as such by the Council of Mossel Bay Municipality in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Municipality" means the municipality of Mossel Bay established by Government Notice No. 479 of 2000 issued in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), or any structure or employee of Mossel Bay Municipality acting in terms of delegated authority;

"Councillor" means a member of Council;

"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, normally on a time and material basis;

"Cost containment" means measures implemented to curtail spending in terms of National Treasury regulations;

"Council" means the Council of Mossel Bay Municipality;

"Credit card" means a card issued by a financial services provider, which grants a line of credit to the cardholder and is a revolving account;

"Delegated Authority" means any person or committee delegated with authority by the Council or Municipal Manager in terms of the provisions of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Delegation" in relation to a duty, includes an instruction or request to perform or assist in performing a duty the duty, and "delegate" has a corresponding meaning;

"Official" means an employee of Mossel Bay Municipality responsible for carrying out a duty or function or exercising any power in terms of this policy and includes any employee delegated to carry out or exercise the duty, function or power;

"Petty cash" as used in section 14.2.2 is set at R 2 000.00 per instance;

"Political Office Bearer" means the Speaker, Executive Mayor, Deputy mayor or Member of the Executive Committee as referred to in the Municipal Structures Act; and

"Regulations" means the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019.

6. REGULATORY FRAMEWORK

6.1 The policy must be read in conjunction with:

6.1.1 The 1996 Constitution of the Republic of South Africa;

6.1.2 The Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998);

- 6.1.3 The Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000);
- 6.1.4 The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- 6.1.5 Municipal Cost Containment Regulations, 2019;
- 6.1.6 Mossel Bay Municipality By-Laws; and
- 6.1.7 Mossel Bay Municipality policies.

7. GUIDING PRINCIPLES

- 7.1 The policy will apply to the procurement of the following goods and services:
 - 7.1.1 Use of Consultants;
 - 7.1.2 Vehicles used for political office-bearers;
 - 7.1.3 Travel and subsistence;
 - 7.1.4 Domestic Accommodation;
 - 7.1.5 Credit Cards;
 - 7.1.6 Sponsorships, events and catering;
 - 7.1.7 Communication;
 - 7.1.8 Conferences, meetings and study tours; and
 - 7.1.9 Other related expenditure items.

8. USE OF CONSULTANTS

- 8.1 Consultant 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 employ to perform the function.
- 8.2 In terms of the Policy it is accepted that it will be considered that the Municipality does not have the requisite skills or resources in its full time employ to perform the functions and for which applicable tender processes will be followed subject to available budget:
 - Electrical and Civil Engineering Services
 - Town planning Services
 - Surveying services
 - Appointment of conveyancing, debt collection and advice/litigation panels
 - Internal Audit

8.3 In the event where a consultant is not appointed in terms of Paragraph 8.1 a form attached as Annexure A must be completed for confirmation that the Municipality does not have the requisite skills or resources available internally and such finding has been approved by the Accounting Officer or applicable Director.

The following rates are a fair and reasonable remuneration framework for the following consultants –

- 8.3.1 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;
- 8.3.2 set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
- 8.3.3 as prescribed by the body regulating the profession of the consultant.

8.4 Taking into account the above-mentioned rates, the Accounting Officer has delegated powers to consider and approve or reject applications to exceed these rates based on a fully motivated written and signed request by the relevant Director in instances where it is deemed appropriate.

8.5 The tender documentation for the appointment for consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in Paragraph 8.32.

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

8.7 When consultants are appointed, an accounting officer or delegated authority must–

- 8.7.1 appoint consultants on a time and cost basis with specific start and end dates;
- 8.7.2 where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
- 8.7.3 ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;

- 8.7.4 ensure the transfer of skills by consultants to the relevant officials of the Municipality where relevant;
 - 8.7.5 undertake all engagements of consultants in accordance with
 - the Municipal Supply Chain Management Regulations, 2005 and
 - the municipality's supply chain management policy; and
 - 8.7.6 develop consultancy reduction plans to reduce the reliance on consultants.
- 8.8 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 8.9 Specifications and performance must be used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- 8.10 The contract price must specify all travel and subsistence costs, as a rule the contract price must include all travel and subsistence cost. 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.

9. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 9.16 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, 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;
- 9.27 The procurement of vehicles referred to in 940.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms;
- 9.38 Before deciding to procure a vehicle as contemplated 940.1 and 940.2 the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- 9.38.1 _____—status of current vehicles;
 - 9.38.2 _-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 940.1 above;
 - 9.38.3 _____—extent of service delivery backlogs;

- and
- 9.38.4 _____ terrain for effective usage of the vehicle;
 - 9.38.5 _____ any other policy of council.

- 9.49 If the rental referred to in 9-40.3.2 is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 9.510 Regardless of usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometers.
- 9.614 Notwithstanding 910.5 a vehicle for official use by political office bearers may be replaced 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.
- 9.712 The accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes for political office-bearers.

10. TRAVEL AND SUBSISTENCE

- 10.1 The accounting officer -
 - 10.1.1 may approve the purchase of economy class tickets for all Political Office Bearers, Councillors and officials, where the flying time for the flights is five hours or less; and
 - 10.1.2 may only in exceptional cases approve the purchase of business class tickets for Political Office Bearers, Councillors and officials, for flights exceeding five hours.
- 10.2 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 in exceptional cases business class tickets for flights exceeding five hours.
- 10.3 Notwithstanding 101.1 and 101.2 the accounting officer, or the mayor in the case of the accounting officer, may approve the purchase of business class tickets for an official, a political office bearer or councilor with a disability or a medically certified condition.
- 10.4 International travel to meetings or events that are considered critical must be limited to those officials, political office bearers or councilors directly involved in the subject matter related to such meetings or events as directed by the accounting officer.

- 10.5 An official, political office bearer and councilor must:
- 10.5.1 utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
 - 10.5.2 make use of available public transport or a shuttle service if the cost of such a service is lower than - (i) the cost of hiring a vehicle;
 - (ii) the cost of kilometers claimable by the official, political office bearer or councilor; and
 - (iii) the cost of parking.
 - 10.5.3 not hire vehicles from a category higher than Group B or an equivalent class; and
 - 10.5.4 where a different class of vehicle is required for a terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.
- 10.6 In applying section ~~104~~(56) the safety, practicality and risk of such public transport must be considered, the Accounting Officer or Mayor or a person acting in any of these posts may deviate on these grounds based on a request and motivation.
- 10.7 The Municipality must utilise 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.

11. DOMESTIC ACCOMMODATION

11.1 The accounting officer or delegated authority 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 National Treasury.

11.2 The limit for accommodation is set at Band 2 rates capped at a 3 star level, whilst for self-catering is set at Band 1 capped at a 3 star level.

11.3 Overnight accommodation may only be booked where the return trip exceeds 500 kilometers.

11.4 Section 11.3 applies where the event is on one day; the following exceptions may be applied:

11.4.1 Overnight for the night before the event may be incurred where the distance from the affected person's home to the venue exceeds 250km.

11.4.2 The normal driving time, taking the time of driving, road conditions and road works, exceeds 2 hours and such event starts at 09h00 or earlier and/or finishes at 16h00 or later.

; and

11.5 The 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 only –

–11.5.1 during peak holiday periods; or

11.5.2 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; or

-11.5.3 instances where no accommodation is available within the amounts determined. Such non-availability must be prior to approval be confirmed the Manager Supply Chain

12. CREDIT CARDS

12.1 The accounting officer must ensure that no credit card or debit card linked to the Municipality's bank account is issued to any official, political office bearer or councilor.

12.2 Where officials, political office bearers or councilors incur expenditure in relation to official municipal activities, such officials, political office bearers or councilors 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.

13. SPONSORSHIPS, EVENTS & CATERING

13.1 Catering, Entertainment & Gifts

13.1.1 No catering expenses to be incurred 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~~.

13.1.2 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.

13.1.3 All expenses in terms of 13.1.1 and 13.1.2 must be allocated to the mSCOA classification created for catering accounts under the various cost centres the cost relates to.

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

13.1.5 Entertainment allowances referred to at section 13.1.45 will be used for entertainment at the sole judgement of the official the ~~allowance~~ has been made to.

13.1.6 The Municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages. This section is applicable to expenses incurred in accordance with 132.1.1; 13.1.2 and 13.1.56.

13.1.7 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.

13.2 Events & Sponsorships

13.2.1 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's budgets or by any suppliers or sponsors.

13.2.2 The Accounting officer may incur expenditure not exceeding the limit for petty cash, as defined in this policy, 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.

14. COMMUNICATION

14.1 The Municipality may, as far as possible, advertise municipal-related events on its website instead of advertising in magazines or newspapers.

14.2 The Municipality will advertise as prescribed in terms of Section 21 of the Municipal Systems Act, its' Recruitment Policy and SCM Policy and make efforts to use as far as possible newspapers with a readership base predominantly in the Municipality's geographical area and focus on newspapers targeted at the communities.

14.3 The advertisement will be in single colour as far as possible.

14.4 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 from time to time.

14.5 The Municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

14.6 In respect of the Accounting Officer, the Executive Manager Strategic and governance services and the Communication Officer the Mossel Bay Advertiser, Burger and Son are deemed tools of trade and it will be supplied to the mentioned officials. All other newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders.

15. CONFERENCES, MEETINGS AND STUDY TOURS

15.1 All applications by officials to attend conferences or events within the municipal area of Garden Route District Municipality (GRDM) may be approved by the relevant Senior manager reporting directly to the Accounting officer, applications outside GRDM but within the boundaries of the Province must be approved by the Accounting Officer, any other attendance within the borders of South Africa must be approved by the Accounting Officer and Executive Mayor, whilst all international conferences and events must be approved by the Council.

15.2 All applications by councilors to attend conferences or events within the Province may be approved by the Executive Mayor, any other attendance within the borders of South Africa must be approved by the Accounting Officer and Executive Mayor, whilst all international conferences and events must be approved by the Council.

15.3 When considering applications from officials, political office bearers or councilors to attend conferences or events within and outside the borders of South Africa, the Executive Mayor, Accounting Officer or delegated authority, as the case may be, must take the following into account –

15.3.1 the official's, political office bearer's or councillor's role and responsibilities and the anticipated benefits of the conference or event;

15.3.2

whether the conference or event addresses relevant concerns of the institution;

15.3.3 the appropriate number of officials, political office bearers or councillors, not exceeding three or at the discretion of the Accounting Officer attending the conference or event; and;

15.3.4 the availability of funds to meet expenses related to the conference or event.

15.4 The cost to attend a conference or event within or outside the borders of South Africa may not exceed an amount as determined from time to time by the National Treasury through a notice.

15.5 The amount referred to 16.4 excludes costs related to travel, accommodation and related expenses, but includes -

15.5.1 conference or event registration expenses; and

15.5.2 any other expense incurred in relation to the conference or event.

15.6 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.

15.7 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.

15.8 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.

15.9 Where applicable and if the present value of future cashflows provides benefits to the Municipality, advantage must be taken of early registration and/or group booking discounts by granting the required approvals to attend the conference, event or study tour, in advance.

16. OTHER RELATED EXPENDITURE ITEMS

- 16.1 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.
- 16.2 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.
- 16.3 Expenditure on tools of trade for political office bearers or councilors 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.
- 16.4 The Municipality must avoid expenditure on elaborate and expensive office furniture. 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.
- 16.5 ~~17.5~~ As the safety of the officials and political office bearers are important, the Accounting Officer may deviate from section ~~16~~7(4) where the SAPS services required could not be obtained within a reasonable time. 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 monthly. A motivation for all unplanned overtime must be submitted to the relevant manager. To further curb overtime costs line managers must assess overtime and pursue option of permanent shift coverage in areas where frequent/excessive overtime.
- 16.6 Due process must be followed when suspending or dismissing officials to avoid unnecessary litigation costs.

17. ENFORCEMENT PROCEDURES

- 17.1 Failure to implement or comply with this policy may result in any official, political office bearer or councilor that has authorised or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the Local Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

18. DISCLOSURES OF COST CONTAINMENT MEASURES

18.1 Disclosure of cost containment measures applied by the Municipality must be included in the Municipality's in-year budget statements and the annual cost savings must be disclosed in the annual report. 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 Council for review and resolution. Council can refer such reports to an appropriate Council Committee for further recommendations and actions

18.2 The reports referred to in 19.2 must be copied to National- and Provincial Treasury within seven calendar days after the report is submitted Council.

19. IMPLEMENTATION AND REVIEW PROCESS

19.1 The policy will be reviewed at least annually, alongside the budget approval process, or when required by way of Council resolution, or when an update is issued by National Treasury.

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

20.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the Municipality.

20.2 The accounting officer must consider the allegations and determine whether to investigate.

20.3 If the accounting officer determines the allegations are of a serious nature, a full investigation must be conducted by the delegated disciplinary body.

20.4 After completion of a full investigation, the delegated disciplinary body must compile a report on the investigations and submit a report to the accounting officer on:

20.4.1 Findings and recommendations; and

20.4.2 Whether disciplinary steps should be taken against the alleged transgressor.

20.5 The accounting officer must table the report with recommendations to the Council.

20.6 Subject to the outcome of the Council decision the accounting officer must implement the recommendations.

21. SHORT TITLE

This policy shall be called the Cost Containment Policy of Mossel Bay Municipality and take effect on 1 ~~July 2020~~ October 2019.

Annexure A Memo

To:	
From:	
Reference number:	8/1/1 D Scholtz
Date:	
Subject:	

GAP ANALYSIS				
NO	QUESTIONS	RESPONSE		COMMENTS
		YES	NO	
1	Was the cost-effectiveness of permanent capacity versus making use of consultants, while ensuring continuity and service delivery analysed?			
2	Was the nature and extent of the service analysed to be outsourced and whether it is specialised, once-off, a temporary service, recurring			

	service or service that is of a non-specialised nature?			
3	Was consideration given to whether the objectives of the Department would be better achieved through the appointment of Consultants or permanent staff?			
4	Does the skill and experience exist in the Department for the required task?			
5	Are consultants appointed to monitor work of other consultants or to complete specifications for tenders for which they did not tender?			
6	Does the Municipality have the capacity or capability to do the work internally?			
7	Will there be transfer of skills to a relevant official?			
8	Will there be a limit to the consultant's budget?			

Type of service required	
Contract period (weeks)	
Estimated Contract value (VAT included)	
Scope of work / Motivation for the appointment of the consultant	
What will be the impact or consequences be if the appointment of a Consultant is not approved?	
Procurement Basis considering the Guideline of prescribed fees: Awarded Bid Panel / Competitive bidding/ Formal Written Quotation / Deviation	
Vote Number	
Budget Amount Available	

MOSSEL BAY MUNICIPALITY
COST CONTAINMENT POLICY

REQUESTED BY:			
Comments from Requester			
Signature		Date	