

**COST
CONTAINMENT
POLICY**

This policy document seeks to implement National Treasury instruction 04 of 2017/18; dated 25 May 2017 and MFMA Circular No. 82 of March 2016.

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

1. 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.
- Employees receiving travel allowance must travel a maximum of 1000 km a month before travel re-imburement can be claimed.
- Directors must check with Budget and Treasury to confirm if there is available budget before approval of the trip.
- Travelling to outside the province must be pre-approved by the Municipal Manager before the employee can embark on them.
- The respective Directors should exercise control over the distances travelled.
- Directors must ensure that the kilometres claimed are the actual kilometres travelled. (When employees leaves their homes for business meeting must claim the actual kilometres travelled, i.e. if you reside in Tzaneen and have a meeting in Tzaneen employees must not claim that they left from Giyani to Tzaneen).

- Employees who are found to have overstated their kilometres claim by the Auditor General must repay the amount classified as overstated back to the municipality.

2. 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.

3. 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.
- Planned overtime must be submitted to management for consideration on a monthly basis.

- 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.

4. **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
- 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.

5. **CATERING COSTS**

- Municipality must not incur catering expenses for any meetings where only municipal officials are in attendance. Notwithstanding the above, the **accounting officer** may incur catering expenses for the following, provided that such lasts for five (5) continuous hours or more:
 - a) The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings;
 - b) Meetings related to commissions or committees of inquiry; or

- c) Meetings hosted by municipal councils and the board of directors of municipal entities, including governance committee meetings.
- Directors must ensure that entertainment allowances of qualifying officials do not exceed two thousand rand (R2 000) per person per financial year. The National Treasury may periodically review this amount.
- Municipality must not incur expenses on alcoholic beverages.
- Directors must ensure that team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.

Accounting officers and accounting authorities may **not** host farewell functions for employees who have:

- (a) Been dismissed;
- (b) Elected to resign or leave by accepting severance packages; or
- (c) Approached the end of their contractual term.

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.

6. EVENTS, ADVERTISING AND SPONSORSHIPS

- Municipality must eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.
- Memorabilia, gifts and other novelties should be of token value only and should only be offered by municipalities and municipal entities in order to acknowledge support or a visit or attendance by a dignitary in connection with a benefit to the local community; to reciprocate the giving of a similar token gift by another organisation; or similar but in all cases there must be an identifiable benefit to the community.

- Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.

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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.
- Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable.
- Conferences abroad must be limited to its ultimate minimum or none at all.
- The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, must be restricted to four 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. ENGAGEMENT OF CONSULTANTS

- Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.
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- Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.
- Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:
 - determined in the “Guidelines on fees for audits done on behalf of the Auditor-General South Africa”, issued by the South African Institute of Chartered Accountants (SAICA);
 - set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA); or
 - Prescribed by the body regulating the profession of the consultant (i.e. Law Society of South Africa, ECSA and etc.).
- Ensure an exacting “specification” of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.
- Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, accounting officers must invoke such clauses, where deemed necessary.
- It is mandatory that accounting officers of municipalities and municipal entities conclude on the best “value for money”, i.e. matching fees against quality and against benchmarked practices.
- Accounting officers of municipalities and municipal entities must appoint consultants on a time and cost basis with specific start and end dates.

- Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government and the contract price specifies all travel & subsistence costs.
- If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:
 - a) Hotel accommodation may not exceed the amount mentioned in this Circular;
 - b) Only economy class air tickets may be purchased for flights;
 - c) Only group B vehicles or lower may be hired for engagements, as mentioned in this Circular;
 - d) Kilometres claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.
- Municipalities are urged to develop consultancy reduction plans.
- Undertake all engagements of consultants in accordance with the SCM Regulations and the municipality's SCM policy.

10. 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.

11. 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.

12. TRAVEL AND SUBSISTENCE

- Travel and subsistence allowance for employees and non-employees attending interviews must be eligible to receive this allowance.
- New employee's travel and subsistence allowance must be reduced from three (3) months to one (1) month.
- The National Treasury, on behalf of all three spheres of government, has negotiated improved upfront discounts for flights as well as discounted accommodation rates. Therefore municipalities and municipal entities are requested to utilize these agreements to assist in their respective cost containment measures, unless they can negotiate lower air travel rates or utilize other service providers that offer lower rates
- The Municipality must use circular 82 on the travel and substance allowance.
- 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).
- 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.
- 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.
- 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.

13. 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.
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- 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.
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14. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY

The Cost Containment Policy (CCP) will be implemented as soon as Council approves it.

15. 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: Performance, Monitoring and Evaluation and will be made available to all Portfolio Committees and the Mayoral Committee on a quarterly basis.