

**KWADUKUZA
MUNICIPALITY
COST CONTAINMENT
POLICY**

NEW

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1. **DEFINITIONS**

“*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 the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

“*cost containment*” the measures implemented to curtail spending in terms of this policy.

“*municipality*” Kwadukuza Local Municipality

2. **PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Kwadukuza Local Municipality.

3. **OBJECTIVES OF THE POLICY**

The objectives of this policy are to:

3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;

3.2 To implement the cost containment regulations.

3.3 To promote a culture of thrifty spending within the municipality

4. **SCOPE OF THE POLICY**

This policy will apply to all:

4.1 Councilors and

4.2 Municipal employees and officials.

5. **LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the -

5.1 The Municipal Finance Management Act, Circular 82, published on 7 December 2016;

5.2 Municipal Cost Containment Regulations, 2019; and the

5.3 KDM Travelling and subsistence policy.

6. **POLICY PRINCIPLES**

- 6.1 Efficiency
- 6.2 Fiduciary responsibility
- 6.3 Timeliness
- 6.4 Service delivery
- 6.5 Accountability
- 6.6 Oversight
- 6.7 Ethical leadership

7. **USE OF CONSULTANTS**

- 7.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.
- 7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.
- 7.3 When consultants are appointed the following should be included in the Service Level Agreements:
 - (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
 - (ii) Consultants should be appointed on an output-specific basis, specifying deliverables and the associated remuneration as set out in the “Guide on Hourly Fee Rates for Consultants”, issued by the Department of Public Service and Administration.
 - (iii) Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
 - (iv) All engagements with consultants should be undertaken in accordance with the municipality’s supply chain management policy.
- 7.4 Consultancy reduction plans should be developed.
- 7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

- 7.7 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.
- 7.8 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.

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

- 8.1 The threshold limit for vehicle purchases relating to official use by **qualifying** political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% (VAT inclusive) of the total annual remuneration package for the different grades, whichever is lower.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism unless it can be procured at a lower cost through other procurement mechanisms.
- 8.3 Before deciding to procure a vehicle the Accounting Officer or delegated official must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
 - (ii) Affordability
 - (iii) Extent of service delivery
 - (iv) Terrain for effective usage of vehicle
 - (v) Any other policy of council
- 8.4 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of **200 000 kilometers.**
- 8.5 Notwithstanding 8.4, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometers only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 8.6 An Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. **TRAVEL & SUBSISTENCE**

9.1	An accounting officer:
	(i) May only approve the purchase of economy class tickets for officials where the flying time for a flight is 8 (8) hours or less (non-stop); and
	(ii) For flights that exceed eight (8) hours non-stop of flying time, may purchase business class tickets for KDM delegation whose trips are paid for by KDM council.

9.2 Notwithstanding 9.1, the Accounting Officer may approve the purchase of business class tickets for officials with disabilities or medically certified conditions.

9.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event and only the officials or political office bearer that are directly involved with the subject matter will be allowed to attend the meeting or event.

9.4 The KDM international travel shall be processed in line with section 12 of the KDM Subsistence and Travelling policy.

9.4. Sponsored or Funded International travel to meetings or events or study tours shall be approved by the Accounting Officer and council shall only pay for what the funder is not funding in line with council travel and substance policy. (REMOVE AS CATERED FOR IN 9.4 ABOVE)

9.5. The Accounting officer shall use his or her discretion to approve the upgrading of the international flights for travelling official or political bearer provided there is adequate budget for that particular trip. (REMOVE THIS AS CATERED FOR IN 9.4 ABOVE)

9.6 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 through a notice only:- during peak holiday periods or when major local or international events are hosted in a particular geographical area

9.7 Officials and Public Office Bearers of the municipality must:

- (i) Utilize 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:
 - the cost of hiring a vehicle;

- the cost of kilometers claimable by the employee or the public office bearer; and
 - the cost of parking.
- (iii) not hire vehicles from a category higher than Group B 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.

9.8 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. **DOMESTIC ACCOMMODATION**

- 10.1 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 by National Treasury, from time to time, and the travel and subsistence policy of the municipality.
- 10.2 Overnight accommodation may only be booked where the return trip exceeds 500 kms.

11. **CREDIT CARDS**

- 11.1 An accounting officer must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or public office bearer.
- 11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

12. **SPONSORSHIPS, EVENTS & CATERING**

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
- (i) Hosting of meetings;
 - (ii) Conferences;

- (iii) Workshops;
- (iv) Courses;
- (v) Forums;
- (vi) Recruitment interviews; and
- (vii) Council proceedings

12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000,00) per person per financial year, unless otherwise approved by the accounting officer. **(REMOVE THIS)**

12.4 Expenses may not be incurred on alcoholic beverages.

12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsor.

12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials.

12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality **in line with KDM Staff Recognition and Awards Policy.**

12.8 **Expenditure may be incurred to host farewell functions in recognition of councilors who retire after serving council for two terms in office or those who are elected to serve in the Provincial Legislature or National Assembly or serve the country in the Foreign Missions, as an Ambassador or Consulate General.**

12.9 **Expenditure may be incurred to support and contribute to the Funerals of Amakhosi, that are currently serving in the council of KwaDukuza and the amount shall be determine by council from time to time, but it shall not exceed R50 000.00.**

12.9 **Expenditure may be incurred to host or support sports development tournaments, tourism destination marketing events, social cohesion and cultural diversity promotion, which its participants are members of community or / and other external non-government stakeholders.**

12.10. **Expenditure may be incurred for corporate gift for selected guest or of council, for the amount that does not exceed R1000 per guest and any amount more than this be approved by the Accounting Officer and reported to Council or EXCO within 30 days of its occurrence.**

13. **COMMUNICATION**

- 13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.
- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders unless it is required for professional purposes and where unavailable in an electronic format.
- 13.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 Allowances for officials for private calls and data costs must be limited to an amount as determined by the Accounting Officer from time to time.

- 13.6 Expenditure may be incurred for the publication of tourism and investment promotion magazines or placing of various promotion material in the print media or electronic in order for council to fulfil its constitutional mandate on tourism promotion and local economic development.
- 13.7 Expenditure may be incurred to use media buying agent (s) to secure prime slots for the broadcast of important municipality messages or information. This expenditure can be only be incurred if a written evidence is provided for each slots that the direct acquisition by the municipality of the slots from the national broadcaster (SABC) or any other broadcaster is more expensive than the comparable slot provided by the media agent. The SCM Head shall coordinate the negotiating of rates for each slot with the broadcaster prior authorizing any usage of media buying agents.

14. **CONFERENCES, MEETINGS & STUDY TOURS**

- 14.1 Appropriate benchmark costs of other professional or regulatory bodies must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury from time to time through a notice.

14.3 When considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, the accounting officer or **council**, 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 will address the relevant concerns of the municipality;
- (iii) The appropriate number of officials or political office bearers to attend the conference or event, not exceeding three ; and
- (iv) Availability of funds to meet expenses related to the conference or event.

14.4 The amount referred to in 14.2 above 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.

14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.

14.6 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

14.7 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.

14.8 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

14.9 The officials and councilors' applications for conferences, study tours, seminars and congresses shall be processed in line with sections 7 and 14 of the KDM Subsistence and Travelling Policy.

15. **OTHER RELATED EXPENDITURE ITEMS**

- 15.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.
- 15.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.
- 15.3 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
- 15.4 the municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.5 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.
- 15.6 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.
- 15.7 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

16. **ENFORCEMENT PROCEDURES**

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

17. **DISCLOSURES OF COST CONTAINMENT MEASURES**

- 17.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.

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| <ul style="list-style-type: none"> 17.2 Each KDM business unit shall also develop a customized annual cost containment mitigation action plan (based on the KDM organizational cost containment policy) with clear costs driver, mitigation/commitment and status (against commitments) which shall be treated as part of good governance programme with status reports to be submitted to the respective portfolio committees every quarter. |
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- 17.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, 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.
- 17.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

18. **IMPLEMENTATION & REVIEW PROCESS**

- 18.1 This policy will be reviewed at least annually or when required by way of a council resolution, or when an update is issued by National Treasury.

19. **CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES**

- 19.1 Any person may report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 19.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 19.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 19.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:
- Findings and recommendations; and/or
 - Whether disciplinary steps should be taken against the alleged transgressor.
- 19.5 The accounting officer must table the report with recommendations to the municipal council.
- 19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

20. TRANSITIONAL MEASURES IN RELATION TO EXISTING CONTRACTS AND BIDS SUBJECT TO AWARDS

20.1. This policy shall also be applicable to the existing contracts, which offer services identified as part of cost containment measures. The user Business Unit, assisted by Legal Services and SCM Unit shall negotiate with the affected service provider the alignment of his or her contract with the cost-containment policy and regulations before 30th of September 2019.

20.2. All bids advertised or still to be advertised must be align to the KwaDukuza Cost Containment Policy, Regulations and the customized cost containment mitigation action plan for each business unit, on the time of award of approval of specifications. The bid committees and SCM unit has an obligations to ensure

21. All requests for payments that are not in compliance of the regulations shall be reported to the Council by the Finance Directorate on a monthly basis for the initiation of enforcement procedures in terms of section 16 above.

22. SHORT TITLE

20.1 This policy shall be called the Cost Containment Policy for KwaDukuza Municipality.