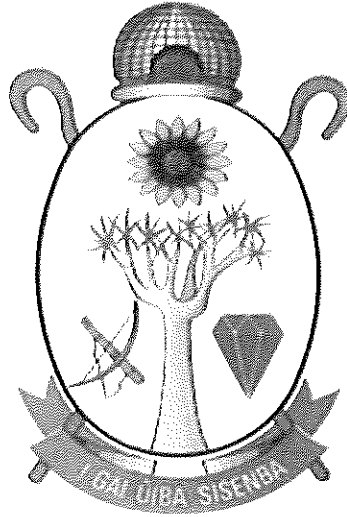


# **NAMA KHOI MUNICIPALITY**



# **COST CONTAINMENT POLICY**

**2023/2024**

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## 1. DEFINITIONS

“**Act**” means the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003)

“**Business Model**” means a department’s core activities as derived from the Integrated Development Plan (IDP) supporting the viability of Nama Khoi Municipality, including its purpose, its goals and its on-going plans (SDBIP) for achieving them. At its simplest, a business model is a specification describing how the municipality fulfils its purpose.

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

“**Credit card**” means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

“**Municipality**” means Nama Khoi Municipality.

## 2. PURPOSE

This policy document seeks to implement the Cost Containment Regulations gazetted by National Treasury on the 7th of June 2019 in Gazette Number 42514 in terms of the Municipal Finance Management Act.

The object of the Regulations is to ensure that the resources of the municipality are used effectively, efficiently and economically in line with Section 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the MFMA.

The cost containment policy of the municipality must:

- a) Be in writing;
- b) Give effect to the Regulations;
- c) Be reviewed annually, as may be appropriate;
- d) Be communicated on the municipality’s website, and must set out
- e) Measures for ensuring implementation of the policy;
- f) Procedures for the annual review of the policy; and
- g) Consequences for non-adherence to the measures contained herein

## 3. OBJECTIVES OF THE POLICY OBJECTIVES

The objectives of this policy are to:

- 3.1 To ensure that the resources of the municipality are used effectively, efficiently and
- 3.2 To implement cost containment measures.

#### **4. APPLICATION OF THE POLICY**

This policy will apply to:

- 4.1 Municipal Councilors.
- 4.2 Municipal Employees.

#### **5. LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the –

- 5.1 Municipal Systems Act, 32 of 2000;
- 5.2 The Municipal Finance Management Act, sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) (read in conjunction with the Municipal Finance Management regulations);
- 5.3 Basic Conditions of Employment Act, 2002;
- 5.4 Labour Relations Act, 1995;
- 5.5 Remuneration of Public Office Bearers Act, 1998;
- 5.6 Occupational Health and Safety's Act, Act 85 of 1993;
- 5.7 SLAGBC Main Collective Agreement;
- 5.8 Disciplinary Procedure Collective Agreement;
- 5.9 Municipal Financial Misconduct Regulations, Procedures and Criminal Proceedings, 2014;
- 5.10 Municipal Cost Containment Regulations, 2019;
- 5.11 Disciplinary Regulations for senior managers, 2010;
- 5.12 National Treasury Circular 82, published on 7 December 2016;
- 5.13 Subsistence and Travel Policy of Nama Khoi Municipality

#### **6. POLICY PRINCIPLES**

6.1 This policy will apply to the procurement of the following goods and/or services, but not limited to:

- 6.1.1 Use of consultants
- 6.1.2 Vehicles used for political office-bearers
- 6.1.3 Travel and subsistence
- 6.1.4 Domestic accommodation
- 6.1.5 Credit cards/ Travel Cards
- 6.1.6 Sponsorships, events and catering
- 6.1.7 Communication
- 6.1.8 Conferences, meetings and study tours
- 6.1.9 Any other related expenditure items

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

## 7. USE OF CONSULTANTS

(1) A consultant may only be appointed if an assessment of the needs and requirements confirms that the end-user does not have the requisite skills, resources, or as required by any other relevant legislation, or when it compromises professional ethics in its full-time employ to perform the function.

(a) In terms of procurement, the user departments should first confirm if there are transversal contracts/tenders available. Refer to National Treasury's website for the contact list regarding transversal tenders.

(2) The Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -

- (a) 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 (SAICA). *Refer to website of the South African Institute of Chartered Accountants (SAICA) for the fees guideline.*
- (b) Set out in the "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration (DPSA); or as prescribed by the body regulating the profession of the consultant. *Refer to the website of the Department of Public Service and Administration (DPSA) for the required rates.*
- (c) Set out in the latest published Guideline for Services and processes for estimating of fees for Persons registered in terms of the Engineering Profession Act, 2000 (Act no 46 of 2000), with specific rates as per Government Gazette Board Notice 138 of 2015, dated 4 December 2015.
- (d) Sufficient research should be done by each user department not to inflate or exceed costs for those consultants who do not have a regulatory body that prescribed rates.

(3) 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 paragraph 7.2

(4) When negotiating cost-effective consultancy rates for international consultants, the Accounting Officer may take into account the relevant international and market-determined rates.

(5) When consultants are appointed, the Accounting Officer must -

- (a) Appoint consultants on a time and cost basis with specific start and end dates;
- (b) Where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
- (c) Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- (d) Ensure the transfer of skills by consultants to the relevant officials;
- (e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005, the Nama Khoi municipality's supply chain management policy, and

- (f) Develop consultancy reduction plans to reduce the reliance on consultants.

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

(7) The municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

(8) 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.

(9) The contract price must specify all travel and subsistence cost 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 travel policy of the National Department of Transport.

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

(1) The threshold limit for vehicle purchases relating to official use by political office bearers must not exceed seven hundred thousand rand (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 and Traditional Affairs, whichever is lower.

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

(3) If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.

(4) Before deciding on another procurement process as in 8.2, the Accounting Officer must provide the council with information relating to the following criteria that must be considered:

- (a) Status of current vehicles
- (b) Affordability of procurement options
- (c) Extent of service delivery backlogs
- (d) Terrain for effective usage of vehicle
- (e) Any other policy of council

(5) Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometers.

(6) Notwithstanding (5), 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.

(7) The Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

## 9. TRAVEL & SUBSISTENCE TRAVEL & SUBSISTENCE

(1) The Accounting Officer –

- (a) 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
- (b) 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.

(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

(3) Notwithstanding sub-regulation (1)(a) or (1)(b), 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.

(4) 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 that are directly involved with the subject matter will be allowed to attend the meeting or event.

(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 through a notice only –

- (a) during peak holiday periods; or
- (b) 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.

(6) The official or a political office bearer must –

- (a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
- (b) 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 kilometres claimable by the official or political office bearer; and
  - (iii) the cost of parking.
- (c) not hire vehicles from a category higher than Group B or an equivalent class; and
- (d) 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.

- (7) 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 must be utilized.

## **10. DOMESTIC ACCOMMODATION**

(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.

(2) The Accounting Officer or Delegated Official may limit overnight accommodation for travellers to instances where the distance travelled by road (by the Traveller) exceeds 500 kilometers to and from the destination (return journey).

## **11. CREDIT CARDS/ TRAVELCARDS**

(1) The 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.

(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 subsistence and travel policy and processes of the Nama Khoi Municipality.

## **12. SPONSORSHIPS, EVENTS & CATERING**

(1) The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless otherwise prior written approved by the Accounting Officer.

(2) Catering expenses may be incurred by the Accounting Officer for the following, if they exceed five (5) hours:

- (a) Hosting of meetings;
- (b) Conferences;
- (c) Workshops;
- (d) Courses;
- (e) Forums;
- (f) Recruitment interviews;
- (g) Council proceedings; and
- (h) Training sessions.

(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.

(4) Expenses may not be incurred on alcoholic beverages.



(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.

(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 or is an integral part of the business model.

(7) Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health; the expenditure should not exceed the limits of the petty cash usage as per the Supply Chain Management Policy of the municipality.

### **13. COMMUNICATION**

(1) All municipal related events may as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.

(2) Allowances for officials for private calls should be referred to the telephone Standard Operating Procedure.

(3) Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.

(4) The acquisition of mobile communication services may be done by using the transversal term contracts that have been arranged by the National Treasury. Refer to National Treasury's website for the contact list regarding transversal tenders.

(5) Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/ intranet.

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

(1) Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.

(2) The benchmark costs may not exceed an amount determined by National Treasury.

(3) When considering applications from officials to conferences or events within and outside the borders of South Africa, the Accounting Officer must take the following into account:

- (a) The officials role and responsibilities and the anticipated benefits of the conference or event;
- (b) Whether the conference or event will address the relevant concerns of the municipality;
- (c) The appropriate number of officials to attend the conference or event, not exceeding three officials; and

(d) Availability of funds to meet expenses related to the conference or event.

(4) The amount referred to in (2) above excludes costs related to travel, accommodation and related expenses, but includes:

- (a) Conference or event registration expenses; and
- (b) Any other expense incurred in relation to the conference or event.

(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.

(6) Attendance of conferences will be limited to a maximum of three (3) delegates

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

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

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

#### **15. OTHER RELATED EXPENDITURE ITEMS**

(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.

(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.

(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.

(4) Expenditure on elaborate and expensive office furniture must be avoided.

(5) Only the services of the South African Police Service must be used to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the Speaker and Accounting Officer's office, respectively.

(6) 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. The municipality will consider providing additional time-off in lieu of payment for overtime worked.

(7) Due process must be followed when suspending or dismissing officials to avoid unnecessary litigation costs

## **16. ENFORCEMENT PROCEDURES**

(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 Act, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

## **17. DISCLOSURES OF COST CONTAINMENT MEASURES**

(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.

(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.

(3) Such reports must be copied to the National Treasury and Northern Cape Provincial Treasury within seven (7) calendar days after the report is submitted to municipal council.


## **18. IMPLEMENTATION & REVIEW PROCESS**

(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. EFFECTIVE DATE**

(1) The document is called the Nama Khoi Municipality's Cost Containment Policy and take effect on 1 July 2022

APPROVED AND IMPLEMENTATION OF POLICY

COUNCIL APPROVAL : JUNE 2023	IMPLEMENTATION DATE: 01 JULY 2023
 CV R KRITZINGER SPEAKER	DATE : <u>July</u> 2023