



CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

COST CONTAINMENT POLICY

**POLICY ADOPTED BY COUNCIL ON 31 OCTOBER 2019 AT
ITEM C.15.6**

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1. DEFINITIONS

- 1.1 **"Accounting Officer"** means a person appointed in terms of section 82(i)(a) of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998) and as referred to in section 60 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);
- 1.2 **"Council"** means the municipal council of the Cape Winelands District Municipality and as referred to in section 18 of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);
- 1.3 **"Mayor"** means a councillor elected as Executive Mayor in terms of section 55(1) of the Local Government: Municipal Structures Act, 1998 (Act No 117 of 1998);
- 1.4 **"Official"** means –
- (a) An employee of the municipality;
 - (b) A person seconded to the municipality to work as a member of the staff of the municipality; or
 - (c) A person contracted by the municipality to work as a member of the staff of the municipality otherwise than as an employee;
- 1.5 **"Act"** means the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003);

- 1.6 **“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 of the Republic of South Africa, 1996;
- 1.7 **“Cost containment”** means measures implemented to curtail spending;
- 1.8 **“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;
- 1.9 **“Political office bearer”** means a Councillor of the municipal council.

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 advice 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 For all new appointments (including bids currently in process with effect from 1 July 2019) a 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 employment to perform the function.
- 3.6 The accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates –
- 3.6.1 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.
 - 3.6.2 Set out in the "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration as amended from time to time.
 - 3.6.3 As prescribed by the body regulating the profession of the consultant.
 - 3.6.4 If the rates charged is excessive of any guidelines or gazetted fees in the specific industry, a motivation from the relevant Head of Department must be approved by the Accounting Officer.
- 3.7 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 3.6 above.

- 3.8 When negotiating cost-effective consultancy rates for international consultants, the Accounting Officer may take into account the relevant international and market-determined rates.
- 3.9 When consultants are appointed, the Accounting Officer must –
- 3.9.1 Appoint consultants on a time and cost basis with specific start and end dates.
 - 3.9.2 Where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration.
 - 3.9.3 Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements.
 - 3.9.4 Ensure the transfer of skills by consultants to the relevant officials of a municipality.
 - 3.9.5 Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality supply chain management policy.
 - 3.9.6 Develop consultancy reduction plans to reduce the reliance on consultants.
- 3.10 All contracts with consultants must include a fee retention or penalty clause for poor performance if the services provided has a tangible outcome.

- 3.11 The specifications and performance must be used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- 3.12 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.
- 3.13 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 lower, but not higher than 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 of the Executive Mayor, 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 paragraph 4.1 must be undertaken using the national government transversal contract mechanism, subject to the prescriptions of MFMA Circular No. 96. However, should it be impractical to adhere to the determinations of Regulation 32 of the Local Government: Municipal Supply Chain Management Regulations, 2005 or risk compliance with section 217(1) of the Constitution of the Republic of South Africa, 1996, the Municipality will institute its own Supply Chain Management Policy.

- 4.3 Before deciding to procure a vehicle as contemplated in paragraph 4.1, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- 4.3.1 Status of current vehicles.
 - 4.3.2 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 paragraph 4.1.
 - 4.3.3 Extent of service delivery backlogs.
 - 4.3.4 Terrain for effective usage of the vehicle.
 - 4.3.5 Any other policy of council.
- 4.3 If the rental referred to in paragraph 4.3.2 is preferred, the Accounting Officer must review the costs incurred regularly to ensure that value for money is obtained.
- 4.4 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.
- 4.5 Notwithstanding paragraph 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.
- 4.6 An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

5. TRAVEL AND SUBSISTENCE

- 5.1 An accounting officer will only approve the purchase of economy class tickets for all officials or political office bearers, irrespective of the flight duration.
- 5.2 Notwithstanding paragraph 5.1 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.
- 5.3 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.
- 5.4 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 –
- 5.4.1 During peak holiday periods; or
- 5.4.2 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.
- 5.5 An official or a political office bearer must –
- 5.5.1 Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;

5.5.2 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.

(c) The cost of parking.

5.5.3 Not hire vehicles from a category higher than Group B or an equivalent class.

5.5.4 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.

5.6 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.

- 6.3 The accounting officer may in exceptional instances as contained in the Travel and Subsistence policy give approval for exceptions to paragraph 6.2.
- 6.4 When booking accommodation, the prescribed accommodation form must be utilised and be approved by the relevant Head of Department as stated in the Travel and Subsistence policy.
- 6.5 Only accommodation acquired through an appointed Traveling Agent must be approved by the Head of Department, unless no accommodation is unobtainable in the area where it is required.
- 6.6 Should no accommodation be obtainable, a motivation must be approved by the Accounting Officer, for a procurement process to be followed in terms of obtaining three written quotations.

7. INTERNATIONAL TRAVEL

- 7.1 The applicable prescribed form must be utilised and must be signed off by the relevant Head of Department in terms the System of Delegations.
- 7.2 An international travel item must be tabled to the Executive Mayor together with the Mayoral Committee for consideration.

8. CREDIT CARDS AND DEBIT CARDS

- 8.1 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.

8.2 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.

9. SPONSORSHIPS, EVENTS AND CATERING COST

9.1 The Municipality may only incur catering expenses in terms of the Catering Office Instruction, as amended from time to time by the Accounting Officer.

9.2 A catering request form approved by the Accounting Officer, the meeting / training agenda, the meeting / training programme, and the list of attending stakeholders must be submitted together with the procurement request to Supply Chain Management for further processing.

9.3 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.

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

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

9.6 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.

- 9.7 Social events exclude the following events linked to the strategic objectives of the municipality:
- 9.7.1 Economic development events;
 - 9.7.2 Cultural festivals;
 - 9.7.3 Local tourism festivals;
 - 9.7.4 Sport awards;
 - 9.7.5 Youth, aged, disabled and other vulnerable persons developmental events;
 - 9.7.6 Staff recognition, or achievement awards and functions;
 - 9.7.7 Opening of facilities and buildings;
 - 9.7.8 Strategic planning sessions;
 - 9.7.9 Employee wellness events; and
 - 9.7.10 Any other social event as approved by an accounting officer.
- 9.8 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 costs related thereto are recovered from affected officials or is an integral part of the business model.
- 9.9 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.

10. COMMUNICATION

- 10.1 The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2 A motivation needs to be submitted to the accounting officer for approval if additional advertising mediums other than the municipality's website or social media platforms are used.
- 10.3 All private calls made by employees must be deducted from their salary at the end of the following the month during which the private calls were made.
- 10.4 Newspapers and other related publications for the use of officials will be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- 10.5 The Municipality will participate in the transversal term contract only if the transversal contract mechanism has no risk that can jeopardise the Municipality's audit opinion.

11. CONFERENCES, MEETINGS AND STUDY TOURS

- 11.1 When attending conferences / congresses, a separate form must be completed for approval by the applicable Head of Department.
- 11.2 Approval of the form in paragraph 11.1 is subject thereto that –
 - 11.2.1 The conference / congress has been appropriated during the budget process for the applicable financial year.

- 11.2.2 The conference / congress forms part of the listed conferences/ congress endorsed for attendance by the relevant Head of Department.
- 11.2.3 Under exceptional circumstances, where a conference / congress has not been appropriated during the budget process, motivation for attendance must be approved by the Accounting Officer.
- 11.2.4 The benchmark cost as determined by National Treasury for conference fees must be taken into account when a motivation is approved by the Head of the Department.
- 11.3 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.
- 11.4 Municipal officials and political office bearers will only be allowed to attend conferences as approved or provided during the annual budget process. If other relevant conferences would arise during the financial year a motivation must be submitted to the accounting officer for approval.
- 11.5 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 –
- 11.5.1 The official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event.
- 11.5.2 Whether the conference or event addresses relevant concerns of the institution.

- 11.5.3 The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event.
- 11.5.4 The availability of funds to meet expenses related to the conference or event.
- 11.6 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.
- 11.7 The benchmark costs referred to in paragraph 11.6, may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 11.8 The amount referred to in paragraph 11.7 excludes costs related to travel, accommodation and related expenses, but includes –
- 11.8.1 Conference or event registration expenses.
- 11.8.2 Any other expense incurred in relation to the conference or event.
- 11.9 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.
- 11.10 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.
- 11.11 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.

- 11.12 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 paragraph 11.5.
- 11.13 The 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.

12. OTHER RELATED EXPENDITURE ITEMS

- 12.1 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. The transversal contract mechanism will only be used as a procurement mechanism if no risk exist that such transaction(s) will lead to unauthorised, fruitless, wasteful and/or irregular expenditure as defined in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003); and will not result in non-compliance with any laws and/or regulations.
- 12.2 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.
- 12.3 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.

- 12.4 Expenditure on elaborate and expensive office furniture must be avoided and redundant furniture, which is in a good condition must be redistributed if a need exist. Assets must annually be assessed in a controlled manner by the Asset Adjudication Committee.
- 12.5 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.
- 12.6 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, as per Overtime policy.
- 12.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

- 13.1 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.
- 13.2 Current council approved policies that are not compliant with the Local Government: Municipal Finance Management Act, 2003 Municipal Cost Containment Regulations, 2019 or the Cost Containment Policy of the Cape Winelands District Municipality will not be applicable.

14. DISCLOSURE OF COST CONTAINMENT MEASURES

- 14.1 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.
- 14.2 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.
- 14.3 The reports referred to in paragraph 14.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.