

B127/23/24 COST CONTAINMENT POLICY**PURPOSE**

To submit the reviewed BPDM Cost Containment Policy to the Council for approval.

BACKGROUND

Cost containment regulation requires each Municipality to develop or revise a cost containment policy

Furthermore, Section 24 (2)(c)(v) indicates that approval of the annual budget should also be accompanied by approval of any changes to the municipality's budget related policies.

No changes are made to the policy

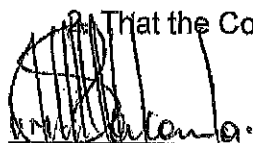
RECOMMENDATIONS BY THE MAYORAL COMMITTEE

1. That cognisance be taken of;

1.1 Section 24 (2)(c)(v) which requires that changes made to budget related policies be approved together with the annual budget;

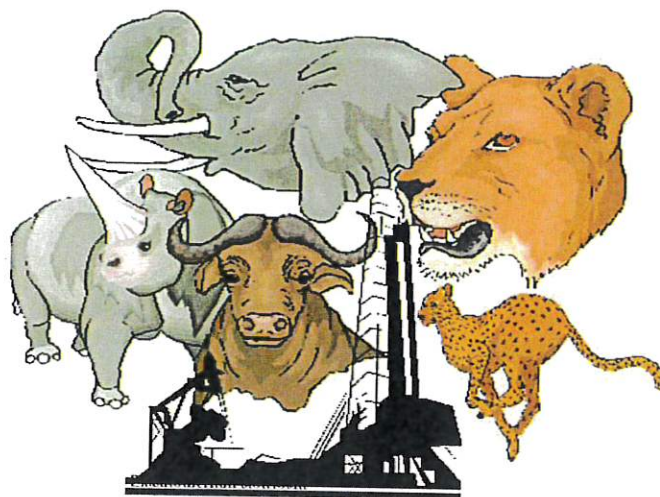
1.2 Local Government: Municipal Finance Management Act, 2003, Municipal Cost Containment Regulation 2019;

2. That the Council to adopt Cost Containment Policy.



**CLLR VICTORIA MAKHAULA
ACTING EXECUTIVE MAYOR**

BOJANALA PLATINUM DISTRICT MUNICIPALITY



COST CONTAINMENT POLICY

2024/2025

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1. ABBREVIATIONS

MFMA – Municipal Finance Management Act

SAICA – South African Institute of Chartered Accountants

SAA – South African Airways

BA – British Airways

2. DEFINITION OF TERMS

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

"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 or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

"cost containment" means measures implemented to curtail spending in terms of these regulations; and

"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.

3. PURPOSE

This policy document seeks to implement cost containment measures in line with National Treasury Circular 82.

Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently and economically.

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

4. LEGAL FRAMEWORK

According to the Local Government : Municipal Finance Management Act, 2003, Municipal Cost Containment Regulation, 2019 indicates that

(1) Each municipality or municipal entity must develop or revise and implement a cost containment policy which must -

(a) in the case of a municipality, be adopted by the municipal council, and in the case of a municipal entity, by the board of directors as part of its budget related policies;

(b) define a municipality or municipal entity's objectives for the use of consultants; and

(c) be consistent with the Act and these Regulations.

(2) The cost containment policy of a municipality or a municipal entity contemplated in sub - regulation (1) must -

(a) be in writing;

(b) give effect to these Regulations;

(c) be reviewed annually, as may be appropriate;

(d) be communicated on the municipality's or municipal entity's website; and

(e) set out -

(i) monitoring measures for ensuring implementation of the policy;

(ii) procedures for the annual review of the policy; and

(iii) consequences for non -adherence to the measures contained therein.

5. 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.

- 5.1 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.
- 5.2 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", or
 - Prescribed by the body regulating the profession of the consultant.
- 5.3 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
- 5.4 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.
- 5.5 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.
- 5.6 Accounting officers of municipalities and municipal entities must appoint consultants on a time and cost basis with specific start and end dates.
- 5.7 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.

6. TRAVEL AND SUBSISTENCE FOR CONSULTANTS

- 6.1 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 must be in line with the Municipality's travelling and subsistence policy
 - b) Only economy class air tickets may be purchased for flights as prescribed in the travelling and subsistence policy

- c) Only group B vehicles or lower may be hired for engagements, as mentioned in the travel and subsistence policy
- 6.2 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.
- 6.3 Undertake all engagements of consultants in accordance with the SCM Regulations and the municipality's SCM policy.

7. TRAVEL AND SUBSISTENCE FOR BOJANALA PLATINUM DISTRICT MUNICIPALITY EMPLOYEES

- 7.1 Officials and Councillors receiving travel allowances should **not** make use of Municipal vehicles
- 7.2 Two or three officials/councillors attending a similar gathering should travel together
- 7.3 In the event different vehicles are used, only one vehicle will be reimbursed as agreed by officials/councillors travelling together
- 7.4 Kilometres travelled will be reimbursed subject to reasonability. Should kilometres claimed be unreasonable, **only** average kilos will be considered.
- 7.5 The travel and subsistence policy must be in compliance with the NT prescriptions on travel and subsistence.
- 7.6 All officials to travel economy class. The accounting officer may authorise purchase of business class tickets only if the flight exceeds 5 hours.

8. AIR TRAVEL

- 8.1 Economic class to be utilised when travelling by air. When economic class is not available, a business class ticket may be used after approval by the Municipal Manager,
- 8.2 Municipal Manager may approve a business class when travel by air is longer than five hours.
- 8.3 Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

9. DOMESTIC HOTEL ACCOMODATION

National Treasury has established maximum allowable rates for domestic accommodation. When sourcing accommodation for officials, municipalities should find options that are equal to or lower, depending on the allowable star grading and the band and in accordance with the Municipality's travelling and subsistence policy. Competition and cost effectiveness must remain a key principle as per supply chain management policy

- 9.1 Bookings for accommodation should not be done when single trip is less than 250km
- 9.2 Bookings should not be done when the gathering of any form starts from 9H00 or later
- 9.3 Bookings should not be done when the gathering ends at 15H00 or earlier
- 9.4 Accommodation costs are assumed to be inclusive of Parking and WI-Fi (if available), and exclusive of Laundry expenses Including Exclusive and Shared Facilities.
 - Exclusive facilities offer travellers a sole occupancy unit consisting of one or more bedrooms and self-contained public areas e.g. kitchen, dining area and lounge.
 - Shared Facilities consisting of one or more bedrooms and self-contained shared public areas e.g. kitchen, dining area and lounge.
- 9.5 Maximum amounts as per S&T policy can be claimed for meals.
- 9.6 The claim for the actual amounts must be supported by a receipt.
- 9.7 Accounting officers must ensure that overnight accommodation is limited to instances where the distance travelled by road by the employee exceeds 500 kilometres to and from the destination (return journey).

10 VEHICLE HIRE

Municipalities are encouraged to continue considering their own fleet first, where viable, prior to hiring of vehicles;

- 10.1 Notwithstanding the provisions above, all employees must make use of shuttle services if the cost of such a service is below the cost of hiring a vehicle.

- 10.2 Accounting officers must also consider making use of shuttle services if the cost of kilometres claimable by the employee and the cost of parking are higher than the shuttle services.
- 10.3 Ensure the hiring of vehicles from a category below Group B or an equivalent class. Accounting officers may permit employees to accept up-graded group of hired vehicles if such an up-grade is offered for free or at a lower charge than Group B.
- 10.4 Vehicle travel claims by employees of municipalities and municipal entities must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme.

11 CATERING COSTS

Do 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:

- 11.1 The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings;
- 11.2 Meetings related to commissions or committees of inquiry; or
- 11.3 Meetings hosted by municipal councils and the board of directors of municipal entities, including governance committee meetings.
- 11.4 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.
- 11.5 Do not incur expenses on alcoholic beverages.
- 11.6 Ensure that team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.
- 8.7 Notwithstanding the above, accounting officers may incur no more than the petty cash allocation or limitations on expenditure from their respective budgets to host farewell functions to employees who are either:
1. proceeding on retirement due to ill health; or

2. proceeding on retirement after reaching the qualifying age limit of a minimum of ten (10) or more years working for the public service.
- 8.8 Accounting officers and accounting authorities may not host farewell functions for employees who have:
1. been dismissed;
 2. elected to resign or leave by accepting severance packages; or
 3. Approached the end of their contractual term.

12 EVENTS, ADVERTISING AND SPONSORSHIP

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.

- 12.1 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.
- 12.2 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.

13 CONFERENCES, MEETINGS, STUDY TOURS, ETC.

Employees of municipalities and municipal entities may attend conferences hosted by professional bodies or non-governmental institutions (external conferences) held within the borders of South Africa provided that expenses

related to their attendance do not exceed an amount as prescribed by National Treasury per person per day.

In instances where the cost exceeds this amount, officials must obtain prior approval from the accounting officer. The number of municipal officials attending such conferences and workshops must be limited, see below.

13.1 The National Treasury may periodically review this amount.

13.2 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.

13.3 Conferences abroad must be limited to its ultimate minimum or none at all.

13.4 Utilise municipal and/or provincial office facilities for conferences, meetings, strategic planning sessions etc. where an appropriate venue exists within the municipal jurisdiction.

13.5 Limit or stop overseas trips and the delegations going on such trips unless a tangible and clear benefit to the local community and performance of essential service provision can be established beforehand.

13.6 The number of employees travelling to conferences or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

13.7 Similar to the above, the number of employees travelling by air to other centres to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

14 OFFICE FURNISHING

Municipalities should exercise due precaution in refurbishing offices, purchasing equipment, etc. especially when new persons are elected or appointed. Use of existing facilities and equipment is encouraged.

Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.

15 STAFF STUDY, PERKS AND SUSPENSION COSTS

15.1 Training attended by employees and councillors of municipalities and municipal entities may only be attended at pre-approved service providers to ensure sufficient quality of training and obtain value for money.

15.2 Expenditure associated with overseas study tours by councillors or officials must be reduced and preferably stopped.

15.3 Encourage staff to take time off to make up for overtime worked.

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

15.5 Unplanned overtime worked must be motivated and approved by management.

15.6 Costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.

15.7 Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

16 COST CONTAINMENT ON OTHER RELATED EXPENDITURE ITEMS

16.1 Accounting officers of municipalities and municipal entities are advised to ensure that all commodities and products that the National Treasury designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.

16.2 Periodic or quarterly threat assessments against councillors and key officials should be undertaken by the appropriate authority (SAPS) and reported to the Speakers Office. Approval for security measures must be informed by such reports, if paid for from municipal funds. The use of metropolitan traffic officers for such purposes should be avoided.

16.3 Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies.

- 16.4 Printing of documents should be carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.
- 16.5 All agendas be availed in an electronic format for both officials and councillors
- 16.6 Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount.
- 16.7 Ensure synergy between municipal divisions or departments to avoid duplication of processes and efforts.
- 16.8 Where possible the warranties on vehicle and computer equipment should be extended instead of procuring new ones.
- 16.9 Labour saving devices should be shared to optimize the capacity utilization of each device.
- 16.10 Purchasing of newspapers and other publications for municipal employees to limited and stopped.
- 16.11 Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.
- 16.12 Telephone expenses – costs be contained in accordance to the Municipality's Telephone policy

17 POLICY REVIEW

This policy shall be reviewed regularly as and when required.

18 APPROVAL AND EFFECTIVE DATE

This policy takes effect from the 1st July 2024

COUNCIL RESOLUTION NUMBER

:

RESOLUTION DATE

:

DR AUCHARLIE MOTHUPI

ACTING MUNICIPAL MANAGER