

**PHOKWANE LOCAL
MUNICIPALITY**



**DRAFT
COST
CONTAINMENT
POLICY 2022/2023**

Table of Contents

1	DEFINITIONS.....	2
2	LEGISLATIVE FRAMEWORK	4
3	PURPOSE	5
4	POLICY OBJECTIVES	5
5	APPLICATION OF THE POLICY	5
6	TRAVEL AND SUBSISTENCE	6
7	VEHICLES USED FOR POLITICAL OFFICE-BEARERS.....	8
8	ACCOMMODATION	8
9	CREDIT CARDS	9
10	SPONSORSHIPS, EVENTS & CATERING	9
11	USE OF CONSULTANTS.....	10
12	COMMUNICATION	12
13	CONFERENCES, MEETINGS & STUDY TOURS.....	13
14	OTHER RELATED EXPENDITURE ITEMS	14
15	ENFORCEMENT PROCEDURES ENFORCEMENT PROCEDURES.....	14
16	DISCLOSURES OF COST CONTAINMENT MEASURES.....	15
17	POLICY REVIEW AND GOVERNANCE	15
18	EFFECTIVE DATE OF POLICY.....	15

1 DEFINITIONS

- 1.1 **Accommodation:** means the rental of lodging facilities while away from one's place of abode, but on authorized official duty.
- 1.2 **Act:** means the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003)
- 1.3 **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.
- 1.4 **Cost containment:** are the measures implemented to curtail spending in terms of this policy.
- 1.5 **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.
- 1.6 **Delegated Official:** means an official or employee authorized in writing by the AO in terms of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) or any other enabling legislation to exercise a power or perform a duty set out in the relevant legislation, subject to such conditions as may be determined by the relevant AO.
- 1.7 **Oversight Committee Members:** means external members belonging to a body that provides oversight and assurance functions over the operations of an Institution.
Such Governance Committees include:
 - a) The Council sub-committees
 - b) Municipal Audit Committee and/or
 - c) Municipal Risk Committee

- 1.8 **Municipal:** means all departments, entities and divisions of Phokwane Local Municipality, unless specified otherwise in this policy.
- 1.9 **Municipality:** means Phokwane Local Municipality.
- 1.10 **Official Business:** means performing the Municipality's functions in terms of their mandate and strategic, operational and performance plans.
- 1.11 **Official:** means any person employed by, or seconded to a department, entity or division of Phokwane Local Municipality, unless specified otherwise in this policy.
- 1.12 **Subsistence Allowance:** means the money paid to a Traveller travelling on Official Business to cover cost of travel, meals, and other associated expenses.
- 1.13 **Traveller:** means a person travelling at the behest of the Municipality on Official Business.
- 1.14 **Travel Advance:** means the funds advanced to an Official or Traveller prior to embarking on an official trip.
- 1.15 **Travel Booker:** means the person coordinating travel reservations with the TMC consultant on behalf of the Traveller.
- 1.16 **Travel Expenses:** means expenses incurred by a Traveller while he/she is on an Official Business trip. Examples of Travel Expenses may include money spent on lodging, transportation and meals.
- 1.17 **Travel Management Company:** means the company contracted to provide travel management services, which is inclusive of the procurement of travel related services.

2 LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the-

- 2.1 Municipal Systems Act, 32 of 2000;
- 2.2 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);
- 2.3 Basic Conditions of Employment Act, 2002;
- 2.4 Labour Relations Act, 1995;
- 2.5 Remuneration of Public Office Bearers Act, 1998;
- 2.6 Occupational Health and Safety's Act, Act 85 of 1993;
- 2.7 SLAGBC Main Collective Agreement;
- 2.8 Disciplinary Procedure Collective Agreement;
- 2.9 Municipal Financial Misconduct Regulations, Procedures and Criminal Proceedings, 2014;
- 2.10 Municipal Cost Containment Regulations, 2019;
- 2.11 Disciplinary Regulations for senior managers, 2010;
- 2.12 National Treasury Circular 82, published on 7 December 2016;

3 PURPOSE

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

4 POLICY OBJECTIVES

The objectives of this policy are:

- 4.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;
- 4.2 To implement cost containment measures.

5 APPLICATION OF THE POLICY

This policy will apply to:

Municipal Councillors

Municipal Employees.

6 TRAVEL AND SUBSISTENCE

- 6.1 The AO or Authorizing Official must restrict the number of Officials and, where applicable, persons appointed on policy considerations travelling to the same event, conference, consultation or meeting to reasonable and necessary representation, including representations to National or Provincial Departments, District Municipalities and other institutions.
- 6.2 Delegations to the same event, conference, consultation or meeting may only exceed three (3) Officials or, where applicable, persons appointed on grounds of policy, if approved in advance by the relevant AO or Delegated Official.
- 6.3 No claims for meals will be paid to the Traveller in the case where meals were provided by the host. Any attempt to make fraudulent claims for subsistence allowance where meals were provided by the Municipality or another party or host will be dealt with in terms of the Municipality's disciplinary processes. The Municipality will disapprove any claim by the Traveller where the Municipality or another party or host have paid for the claimed expenses. The Municipality will recover any over payment from the Traveller in accordance with applicable legislation and prescripts.
- 6.4 The Accounting Officer may only approve the purchase of economy class tickets for all officials or political office bearers
- 6.5 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.
- 6.6 The official or a political office bearer must -
 - 6.6.1 utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
 - 6.6.2 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; and
 - (c) the cost of parking.

- 6.6.3 not hire vehicles from a category higher than Group B or an equivalent class; and
- 6.6.4 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.
- 6.7 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.
- 6.8 The Municipality must utilize the most cost-effective mode (e.g. Car Rental, public transport, Shuttle Service, etc.) of transportation at all times.
- 6.9 Travellers are encouraged to make use of public transport (i.e. Uber, Gautrain, taxi, etc.) or Shuttle Services when travelling to and from the airport if it is safe and more cost effective than the cost of Car Rental and, or, the cost of parking and, or, kilometers claimed.
- 6.10 When the Traveller is travelling by air on a one-day visit to another Institution, he or she must, where possible, make arrangements with the relevant Municipality to be picked up from and dropped off at the airport.
- 6.11 In cases where the trip includes both air and road travel, Travel Bookers must select the mode and combination thereof that is the most cost-effective, taking into account the cost of the trip, time consumed and productivity.
- 6.12 Where a number of Travellers are attending the same official function or meeting, they must at all times attempt to reduce the cost to the Municipality by using one vehicle where circumstances permit.
- 6.13 Only Officials (permanent and contracted) have the authority to drive rental vehicles and Municipal fleet vehicles.
- 6.14 The Municipality must manage claims against the Municipality in terms of applicable legal frameworks and the MFMA.
- 6.15 Any fines, penalties and administration fees payable as a result of the contravention of any traffic rules and regulations will be for the Traveller's own personal account, whilst using a Municipal or rental vehicle.

- 6.16 The Traveller must take every precaution to safeguard a rental or Municipal vehicle against damage, theft or irregular use while driving it and when it is parked.
- 6.17 Travellers must make use of the most cost-effective and safe ground transport mode when traveling internationally, e.g. public transport, renting of vehicles, transfer or Shuttle Services.

7 VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 7.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is greater.
- 7.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.
- 7.3 Regardless of their usage, vehicles for official use by public office bearers may, if necessary, only be replaced after completion of 150 000 kilometres.
- 7.4 The Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes

8 ACCOMMODATION

- 8.1 The AO or Delegated Official must ensure that overnight Accommodation for Travellers is limited to instances where the distance travelled by road (by the Traveller) exceeds **500** kilometers to and from the destination (return journey).
- 8.2 The Travel Booker must ensure that the domestic Accommodation costs do not exceed the maximum allowable rates referred to in the Domestic Accommodation Rate Grid set out in National Treasury cost containment directives.
- 8.3 The Municipality will carry the cost of Accommodation for all Travellers who are travelling on official business
- 8.4 Special dietary requirements must be considered when the most relevant Accommodation option is booked. If the accommodation establishment does not have dinner facilities or does not cater for special dietary requirements, then a room excluding meals must be booked (bed-and-breakfast or room only) and the Traveller may claim a subsistence allowance for his or her meals.

- 8.5 The Traveller must check out at the time of departure, verify the cost on the invoice, sign the final invoice and settle any other expenses. If the Traveller fails to check out and not settle the additional charges and not sign the invoice, the Municipality will settle the account, and if the Traveller is found liable, recover the amount from the Traveller.
- 8.6 The Traveller is not allowed to redeem a Municipality's Travel Accommodation Voucher or part thereof for cash. Such action is misconduct and must be dealt with in terms of the Municipality's Disciplinary Policy.

9 CREDIT CARDS

- 9.1 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.
- 9.2 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.

10 SPONSORSHIPS, EVENTS & CATERING

- 10.1 Catering expenses may not be incurred
- 10.2 Entertainment allowances are not permitted
- 10.3 Expenses may not be incurred on alcoholic beverages.
- 10.4 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.
- 10.5 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 municipal business.

11 USE OF CONSULTANTS

- 11.1 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.
- 11.2 In terms of procurement, the municipality must first confirm if there are transversal contracts/tenders available. (Refer to National Treasury's website for the contact list regarding transversal tenders.)
- 11.3 The Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -
 - 11.3.1 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 (SAICA). Refer to website of the South African Institute of Chartered Accountants (SAICA) for the fees guideline.
 - 11.3.2 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.
 - 11.3.3 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.
- 11.4 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.
- 11.5 When negotiating cost-effective consultancy rates for international consultants, the Accounting Officer may take into account the relevant international and market-determined rates.
- 11.6 When consultants are appointed, an Accounting Officer must –

- 11.6.1 Appoint consultants on a time and cost basis with specific start and end dates;
- 11.6.2 Where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;
- 11.6.3 Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- 11.6.4 Ensure the transfer of skills by consultants to the relevant officials;
- 11.6.5 Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005, the Phokwane Local municipality's supply chain management policy, and Use of Consultants Policy; and develop consultancy reduction plans to reduce the reliance on consultants.
- 11.7 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 11.8 A 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.
- 11.9 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.

12 COMMUNICATION

- 12.1 The Traveller should, at all times, share the knowledge gained when travelling on official business which is for the benefit of the Municipality.
- 12.2 The Traveller must prepare and distribute a comprehensive written report to the AO and all relevant stakeholders, within two days after his or her return from an official business trip.
- 12.3 All municipal related events may as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 12.4 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/ intranet.
- 12.5 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.
- 12.6 There will be no provision of physical diaries to officials and councillors, therefore electronic diaries must be kept.

13 CONFERENCES, MEETINGS & STUDY TOURS

- 13.1 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.
- 13.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 13.3 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:
- 13.3.1 The official's role and responsibilities and the anticipated benefits of the conference or event;
- (a) Whether the conference or event will address the relevant concerns of the municipality;
 - (b) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
 - (c) Availability of funds to meet expenses related to the conference or event.
- 13.4 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.

14 OTHER RELATED EXPENDITURE ITEMS

- 14.1 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.
- 14.2 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.
- 14.3 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.
- 14.4 Expenditure on elaborate and expensive office furniture must be avoided.
- 14.5 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.
- 14.6 Due process must be followed when suspending or dismissing officials to avoid unnecessary litigation costs.
- 14.7 No travel and subsistence will be paid to candidates attending interviews.

15 ENFORCEMENT PROCEDURES ENFORCEMENT PROCEDURES

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.

16 DISCLOSURES OF COST CONTAINMENT MEASURES

- 16.1 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.
- 16.2 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.
- 16.3 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.

17 POLICY REVIEW AND GOVERNANCE

- 17.1 The Municipal Council must review this policy on a frequent basis and, if necessary, propose amendments to the AO or Delegated Official.
- 17.2 Municipal Officials must closely monitor their adherence to the policy and report contraventions to the AO or Delegated Official of the Municipality. This may lead to consequence management against the offender, in accordance with the Municipality's Disciplinary Policy.

18 EFFECTIVE DATE OF POLICY

The Municipal Cost Containment Policy will be fully implemented with effect 01 July 2022