

# Cost Containment Policy

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30 September 2019	1 October 2019

Signed by the Accounting officer	Date
	30 September 2019



**BREED VALLEY**

MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

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## 1. DEFINITIONS

- 1.1 In this Cost Containment Policy (Policy), a word or expression to which a meaning has been assigned in the Regulations has the same meaning as in the Regulations, unless the context indicates otherwise, and:
- 1.1.1 **"Act"** means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
- 1.1.2 **"consultant"** has the same meaning as defined in the regulations and as further set out in paragraph 4 of this policy;
- 1.1.3 **"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;
- 1.1.4 **"delegated official"** means an official with delegated powers to perform duties assigned to the official by the accounting officer;
- 1.1.5 **"international travel"** means travel to any country outside the borders of South Africa;
- 1.1.6 **"Particular terrain"** means a specific geographic area with mountainous or gravel roads;
- 1.1.7 **"Regulations"** means the Municipal Cost Containment Regulations, 2019;
- 1.1.8 **"social event"** means an occasion where people assemble for social interaction, entertainment, or events of a recreational nature which has no direct connection to the achievement of the municipal objectives and further exclude events set out in paragraphs 9.3 and 9.4 of this policy.
- 1.1.9 **"Sporting event"** means a game, contest, a practice or a try-out in which animals, people, or machines compete through casual or organised participation, individually or as teams of municipal officials for the purpose of winning a contest, to improve physical ability and/or skills, or for enjoyment to participants, and/or for entertainment for spectators. This exclude community sports initiatives.
- 1.1.10 **"uniforms"** means the required protective and/or branded clothing.

## **2. OBJECT OF POLICY**

- 2.1 The object of this policy is to give effect to the Regulations and the Act to ensure that resources of a municipality are used effectively, efficiently and economically by implementing cost containment measures.
- 2.2 As directed by the Regulations, this policy will further set out –
- (a) Monitoring measures for ensuring implementation of this policy;
  - (b) Procedures for the annual review of the policy; and
  - (c) Consequences for non-adherence to the measures contained herein.

## **3. APPLICATION OF POLICY**

- 3.1 This policy applies to all officials and political office bearers in Breede Valley Municipality.
- 3.2 In the event of any conflict between a provision of this policy and any other policy of council the provision of this policy shall apply.

## **4. USE OF CONSULTANTS**

### **Consultants further defined**

- 4.1 Consultants shall be clustered in the following groups as set out in the standard chart of accounts (mSCOA) being business and advisory, infrastructure and planning, laboratory services and legal cost. The term consultant includes, amongst others, consulting firms, engineering firms, construction managers, management firms, procurement agents, inspection agents, specialized consultants appointed by internal auditors, investment and merchant banks, universities, research agencies and information technology consultants.
- 4.2 Excluded from consultants are catering, cleaning, security, labour brokers, members of audit committees, and other services that are not of an intellectual or advisory nature.

### **Assessment of the needs and requirements for consultants**

- 4.3 The municipal official requesting for the use of consultant services in the municipality must deliver an assessment report in compliance with the provisions set out in paragraph 4.5 to the accounting officer or relevant delegated authority for approval.
- 4.4 The municipal manager or his delegated official must approve standard templates for the assessment reports.
- 4.5 The assessment report must at least set out the following:

- 4.5.1 the full extent of the end product, result or outcome to be achieved by the consultant work;
- 4.5.2 demonstrate that a substantial need exists for the consultant service link to the achieving the strategic objectives of the municipality;
- 4.5.3 the requisite skills, resources and qualifications required to achieve the intended outcome;
- 4.5.4 the current skills, resources and qualifications within the department and identify where internal skills and resources are lacking to achieve the intended outcome;
- 4.5.5 confirm that enquiries were made to determine whether the required skills may not be available in other sections or departments in the municipality;
- 4.5.6 Explain whether steps are taken or will be taken for municipal employees to obtain the required skills, resources and qualifications and in what timeframe;
- 4.5.7 consideration of alternative processes other than the appointment of consultant that may deliver the desired outcome;
- 4.5.8 confirm and demonstrate that the municipality has the skills, resources and capacity to monitor and evaluate the performance of the consultants;
- 4.5.9 confirm and explain how the consultant service will find practical implementation, data gathered, or studies conducted will be practically implementable;
- 4.5.10 confirm and demonstrate that the municipality has the skills, resources and capacity to implement the consultant's recommendation once received;
- 4.5.11 clearly set out how skills transfer from the consultant to the municipal staff will occur, in particular:
  - a) Set out to whom in the municipality will skills be transferred; Is the intended employee fulltime, part-time or fixed-term employed; If part-time or fixed term employed; explain how the municipality will still benefit in the long-term from the skills;
  - b) Analyse whether the employees to whom skills is intended to be transferred too, has the minimum required competencies and tools of trade to receive and use the new skills;
  - c) Set out what form the skills transfer will take; will it be formal classroom training, formal certificate training, on the job exposure or any other form of training;
  - d) Set out where and when the proposed skills transfer will occur; Clearly set out if the skills transfer is proposed to occur outside the municipal boundaries;
  - e) whether the intended officials are ideally placed in the municipality to receive the new skills based on their current post level and current job description;

- 4.5.12 whether consultants are intended to be appointed to monitor, supervise or analyse work of other consultants if so, motivate fully why this would be needed;
- 4.5.13 confirm that the department has the proper structure, knowledge and resources in place to ensure that the consultant recommendations, once in place, is self-sustained by the department and if not explain why not;
- 4.5.14 if the outcome to be received from the consultants was previously in the last five years, delivered by municipal staff, please fully motivate why this has now changed;
- 4.5.15 if the outcome to be received from the consultants was in the past five years delivered to the municipality by consultants please rationally set out how this will change for municipal staff to deliver this outcome in future and in what timeframe;
- 4.5.16 if the intention is to use consultants again in future to achieve the outcome; please motivate why reliance must be placed on consultants again for the outcome and why skills transfer cannot appropriately be done or completed during this requested appointment;

#### **Fair and reasonable remuneration framework for consultants**

- 4.6 The fair and reasonable remuneration framework for consultants in compliance with Regulation 5(2) may differentiate between types of consultant services in the following categories:
  - 4.6.1 Infrastructure and Planning services;
  - 4.6.2 Laboratory services;
  - 4.6.3 Agency and support/outsourced services;
  - 4.6.4 Science and Technology; and
  - 4.6.5 Business and advisory services;
- 4.7 The remuneration framework for consultants must be adopted by the accounting officer at least annually before the start of each financial year. The first remuneration framework for consultants must be adopted by the accounting officer within 30 days from the date of approval of this policy.
- 4.8 The accounting officer must take reasonable steps to ensure that the framework for consultants are communicated to all relevant staff members of the municipality particularly to all members of the bid specifications committees, bid evaluation committees, bid adjudication committee or any other staff member involved in requesting, evaluating and approving quotations or close quotations.
- 4.9 The accounting officer may authorize an amendment of the remuneration framework for consultants during a financial year to the extent that changed circumstances demand the amendment provided that the amendments are not done to

accommodate the fees charged in any bids received. The reasons for any amendment of the remuneration framework for consultants must be comprehensively motivated.

### **Bids and contracts for consultants' services**

4.10 The accounting officer or delegated official must ensure that control-checklists or other mechanisms are implemented to verify and confirm compliance with regulations 5(3) to 5(9) at each stage of the bid process being specifications, evaluation and adjudication and during the contract implementation.

### **Consultancy reduction plans**

4.11 The accounting officer or delegated official must develop a consultancy reduction plan as an integrated component of the annual procurement plan.

4.12 The consultancy reduction plan may be in a table format or any appropriate format as a key component of the annual procurement plan and will set out:

4.12.1 all consultant services to be procured by the municipality in the financial year to which the procurement plan relate;

4.12.2 duration of the consultant's procurement;

4.12.3 specify how reliance on consultant for delivery of the specific services will be reduced in future and in what time frame.

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

5.1 In addition to the requirements of regulation 6 vehicles used for political office bearers must also adhere to council's Fleet Management Policy.

## **6. TRAVEL AND SUBSISTENCE**

### **Air travel**

6.1 The accounting officer in respect of all officials or political office bearers and the executive mayor in respect of the accounting officer may only approve the purchase of economy class tickets for air travel.

### **International travel**

6.2 International travel for any official or political office bearer can only be approved by the municipal council in a council meeting open to the public with a supporting vote of the majority of the members of the municipal council present.

- 6.3 The report to council for approval of international travel must include:
- 6.3.1 A motivation why the international travel is seen as critical and fully setting out the anticipated benefit that the municipality will derive from attending the event, meeting or function;
  - 6.3.2 If international travel to the destination or event was previously undertaken, state what benefits if any derived from the previous attendance;
  - 6.3.3 The full cost of the international travel including travel allowances to be paid; and
  - 6.3.4 The proposed officials and political office bearers, not exceeding three, to travel and why they have been identified.
- 6.4 The following events will not be considered critical to justify international travel whether the full cost of the travel is paid by another institution or not:
- 6.4.1 Attendance of international sporting events;
  - 6.4.2 Attendance of international social events;
  - 6.4.3 Attendance of international party-political events;
  - 6.4.4 The opening of another country's parliament or any other country's government's celebration events;
- 6.5 The accounting officer or delegated official must ensure that requirements for international travel by officials or political office bearers are not inserted into bid documents, whether it is for inspections of products at source of construction /assembly or for any other reason.

#### **Utilising the municipal fleet and hiring of vehicles**

- 6.6 An official or a political office bearer of Breede Valley Municipality 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 where practical and if such public transport is reliably available and 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 or his delegated official before hiring the vehicle.

## **7. DOMESTIC ACCOMMODATION**

7.1 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

7.2 Notwithstanding the provision in paragraph 7.1 overnight accommodation, where the return trip is 500 kilometres or less may be booked where in the view of the accounting officer or delegated official the limitation may be impractical and any of the following instances are present:

7.2.1 the road or any other conditions could jeopardise the safety, health and security of officials or political office bearers;

7.2.2 the trips are to be undertaken over a number of consecutive days provided that a return trip is in excess of 200 kilometres; and

7.2.3 overnight accommodation is cheaper than the traveling expenses payable under council policy on travel and subsistence.

7.3 Any request for overnight accommodation in compliance with paragraph 7.1 or 7.2 must be motivated on a prescribed form and approved by the municipal manager or delegated official prior to the arrangement for overnight stay;

7.4 The written approval in terms of paragraph 7.3 must be filed with the relevant supply chain documents for the accommodation booking; and

7.5 A copy of such written approval in terms of paragraph 7.3 must also accompany the request for travel and subsistence.

## **8. CREDIT AND OTHER CARDS**

8.1 The accounting officer must ensure that no credit card or debit card are linked to any bank account of Breede Valley Municipality.

8.2 Petrol cards, garage cards, parking or toll fees cards may be issued to officials and political office bearers.

## 9. SPONSORSHIPS, EVENTS AND CATERING

- 9.1 Breede Valley Municipality may not incur catering expenses for meetings which are only attended by municipal employees or political office bearers of the municipality, unless the prior written approval of the accounting officer or delegated official is obtained.
- 9.2 Entertainment allowances of qualifying officials and full-time political office bearers will not exceed two thousand rand (R2 000) per person per financial year or such amount as approved by council annually if such amount is less than two thousand rand per financial year.
- 9.3 The regulations require *inter alia* that the accounting officer must ensure that social events are not financed from the municipality's budget however, this provision is not intended to impede on the constitutional obligation of the municipality as particularly set out in section 152, 153, 156, 195(1)(h) and Schedule 4 Part B of the Constitution to promote and cultivate social development, economic development, good human-resource management and local tourism.
- 9.4 Social events exclude the following events linked to the strategic objectives of the municipality:
- 9.4.1 economic development events;
  - 9.4.2 cultural festivals;
  - 9.4.3 local tourism music and other festivals;
  - 9.4.4 community safety programmes;
  - 9.4.5 switching on of festive-lights;
  - 9.4.6 youth, aged, women, disabled and other vulnerable persons developmental events or initiatives;
  - 9.4.7 civic honours events;
  - 9.4.8 staff recognition or achievement awards and functions;
  - 9.4.9 towns centennial or other significant municipal commemorating events;
  - 9.4.10 opening of facilities and buildings;
  - 9.4.11 business and innovation events;
  - 9.4.12 community driven events;
  - 9.4.13 strategic planning sessions;
  - 9.4.14 non-recreational team-building events; and
  - 9.4.15 non-recreational staff wellness functions.

- 9.5 The regulations require inter alia that the accounting officer must ensure that sports events of municipal officials are not financed from the municipality's budget however supporting community sports initiatives are key to effectively address the social ills and injustices and these are not excluded in terms of this policy.
- 9.6 The accounting officer or delegated official may incur expenditure not exceeding the limits for petty cash as per the municipal Petty Cash Policy for one transaction 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 Breede Valley Municipality may, if matters are not required to be notified through the media to the local community in terms of section 21 of the Municipal Systems Act or any other applicable legislation, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2 The accounting officer must ensure that allowances to officials for private calls and data costs are limited to the amounts as determined in Council's Cellular Telephone Policy or any other applicable policy that regulates cellular calls and data cost.
- 10.3 Newspapers and other related publications for the use of officials and political office bearers must be discontinued on expiry of existing contracts or supply orders; unless, authorised by the accounting officer for officials and by the executive mayor for political office bearers that it is required for professional purposes, or where unavailable in electronic format.
- 10.4 Breede Valley Municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services provided that the municipality cannot procure it at cheaper rates.

## **11. CONFERENCES, MEETINGS AND STUDY TOURS**

- 11.1 The accounting officer must establish procedures and rules 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.
- 11.2 The accounting officer must grant the approval for officials, and in the case of political office bearers and the accounting officer, the executive mayor to attend events and conferences held within the borders of South Africa.

## **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 and chairpersons of bid specifications committees must ensure that such considerations are recorded as part of the minutes of the bid specifications committee.
- 12.2 The provisions of the approved Overtime Policy, the Western Cape Divisional Collective Agreement, the Main Collective Agreement, section 10 and section 16 of the Basic Conditions of Employment Act 75 of 1997 as amended must be adhered to with regards to overtime.

## **13. ENFORCEMENT PROCEDURES**

- 13.1 Failure to implement or comply with this Policy and the Regulations may result in any official or political office bearer of the municipality that authorised or incurred any expenditure contrary to this Policy and the 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 Any failure by any official or political office bearer to adhere to the cost containment measures contained in this Policy or the Regulations and the steps taken as a result of the non-compliance, must be disclosed by the accounting officer in the reports in paragraphs 14.1 and 14.2 to council the National Treasury and the Western Cape Provincial Treasury.

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

- 14.1 The reporting 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.
- 14.3 The reports referred to in paragraphs 14.1 and 14.2 must be copied to the National

Treasury and the Western Cape Provincial Treasury within seven calendar days after the report is submitted to municipal council.

**15. DELEGATION**

- 15.1 The accounting officer or delegated official must compile and maintain a delegation register of all officials to whom powers, duties, and functions are sub-delegated in terms of this Policy; and
- 15.2 In compliance with section 63 of the Municipal Systems Act, an official to whom a power, duty or function was sub-delegated by the accounting officer must report at least within sixty days of each quarter to the accounting officer on decisions taken in terms of the sub-delegated power.

**16. SHORT TITLE AND COMMENCEMENT**

- 16.1 This Policy is called the Cost Containment Policy and take effect when approved or reviewed by the municipal council.
- 16.2 This Policy must be reviewed at least once every financial year together with all budget related policies.