



OKHAHLAMBA

LOCAL MUNICIPALITY • UMKHANDLU WENDAWO

Home of Heritage and Tourism

FINAL COST CONTAINMENT POLICY 2026-2027

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1. PREAMBLE

Whereas;

This policy document seeks to implement the National Treasury Government Gazette 41445 date 16 February 2018 as well as National Treasury Notice 317 of 2019 dated 7th June 2019 and the MFMA Circular No 82 of November 2016.

Whereas;

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

Be ENACTED by Council of UKhahlamba Local Municipality, as Cost Containment Policy.

2. LEGISLATIVE FRAMEWORK

The following legislation is applicable in this regard;

- (a) The Constitution of the Republic of South Africa, 1996;
- (b) The Local Government: Municipal Finance Management Act, 2003;
- (c) The Local Government: Municipal Finance Management Act, 2003 Municipal Cost Containment Regulations, 2019;
- (d) The Local Government: Municipal Systems Act, 2000 as amended.

The objective of this policy, in line with Sections 62 (1) (a), 78 (1) (b), 95 (a) and 105 (1) (b) Of the Act is to ensure that resources of a municipality and municipal entity are used effectively, efficiently and economically by implementing cost containment measures.

In terms of Section 169 (1) (b) of the Local Government: Municipal Finance Management Act, 2003 (Act No.56 of 2003), draft regulations intended to be in terms of Section 168 (1) (b) and (p) of that Act.

3. DEFINITION

In this policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in in the Act, unless the context indicates otherwise, and-

“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;

“**Constitution**” means the Constitution of the Republic of South Africa, 1996;

“Cost containment” means 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.

4. SCOPE OF THE POLICY

The policy will apply to all employees of the municipality and councillors.

5. POLICY PRINCIPLES

5.1 This policy will apply to the procurement of the following goods and or services;

- (i) Uses of consultants;
- (ii) Vehicles used for political office bearers;
- (iii) Travel and subsistence;
- (iv) Domestic accommodation;
- (v) Credit cards;
- (vi) Sponsorships, events and catering;
- (vii) Communication;
- (viii) Conferences, meetings and study tours;
- (ix) Any other related expenditure items.

6. USE OF CONSULTANTS

6.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.

6.2 The assessment referred to 6.1. Must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

6.3 When consultants are appointed the following should be included in the Service Level Agreements:

- 6.3.1 Consultants should be appointed on a time and cost basis that has specific start and end dates;
- 6.3.2 Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
- 6.3.3 Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
- 6.3.4 All engagements with consultants should be undertaken in accordance with the municipality’s supply chain management policy.

6.4 Consultancy reduction plans should be developed.

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

6.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.

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 (R700, 000) rand or 70% of the total annual remuneration package for the grade of the municipality, whichever is greater.

7.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.

7.3 If any other procurement process is used, the cost may not exceed the threshold set out in 7.1 above.

7.4 Before deciding on another procurement process as in 7.2, the chief financial officer must provide the council with information relating to the following criteria that must be considered;

- 7.4.1 Status of current vehicles;
- 7.4.2 Affordability
- 7.4.3 Extent of service delivery
- 7.4.4 Terrain for effective usage of vehicle
- 7.4.5 Any other policy of council

7.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of one hundred and twenty (120, 000) kilometres.

7.6 Notwithstanding 7.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120, 000 kilometres only in instances where the vehicle experiences serious mechanical problems and is in poor conditions, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

8 TRAVEL & SUBSISTENCE

8.1 An accounting officer:

8.1.1 May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and

8.1.2 For flights that exceeds five (5) hours of flying time, may purchase business class tickets only for accounting officer and persons reporting directly to the accounting officer.

8.2 Notwithstanding 8.1, an accounting officer may approve the purchase business class tickets for officials with disabilities.

8.3 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.

8.4 Officials of the municipality must; -

- 8.4.1 Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;
- 8.4.2 Make use of a shuttle services if the cost of such a service provider is lower than;
 - 8.4.2.1 The cost of hiring a vehicle;
 - 8.4.2.2 The cost of kilometres claimable by the employee; and
 - 8.4.2.3 The cost of parking.
- 8.4.3 Not hire vehicles from a category higher than Group B, and
- 8.4.4 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.
- 8.5 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

9 DOMESTIC ACCOMMODATION

- 9.1 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.
- 9.2 Overnight accommodation may only be booked where the return trip exceeds 500 km or the official business over more than one (1) day.

10 CREDIT CARDS

- 10.1 An accounting officer must ensure that no credit card or debit card linked to a municipal bank account or a municipal entity is issued to any official or political office bearer, including members of the board of directors of the municipal entity.
- 10.2 Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political office bearers must use their personal credit cards or cash or arrangements made by the municipality or municipal entity, and request reimbursement in accordance with written approved policy and processes.

11 SPONSORSHIP, EVENTS & CATERING

- 11.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 11.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours;
 - 11.2.1 Hosting of meetings;
 - 11.2.2 Conferences;

- 11.2.3 Workshops
- 11.2.4 Courses;
- 11.2.5 Forums;
- 11.2.6 Recruitment interviews; and
- 11.2.7 Council proceedings.

11.3 Entertainment allowances of officials may not exceed two thousand (R2, 000) rand per person per financial year, unless otherwise approved by the accounting officer.

11.4 Expenses may not be incurred on alcoholic beverages.

11.5 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 such as but not limited to;

- 11.5.1 Staff year-end functions;
- 11.5.2 Staff wellness functions;
- 11.5.3 Attendance of sporting events by municipal officials.

11.6 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.

11.7 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 or municipal entity for ten (10) or more years or retire on grounds of ill health.

12 COMMUNICATION

12.1 All municipal related events must, as far as possible, be advertised on the municipal Website, instead of advertising in magazines or newspapers.

12.2 Publications such as internal newsletters must be designed internally and be Published quarterly in an electronic media format and on the municipal website/internet.

12.3 Newspapers and other related publications for the use of officials must be Discontinued on the expiry of existing contracts or supply orders.

12.4 The acquisition of mobile communication serves must be done by using the Transversal term contract that have been arranged by the National Treasury.

12.5 An accounting offer must ensure that allowances to officials for private calls And data costs are limited to an amount as determined by the accounting officer in the cost containment policy of the municipality.

12.6 Provisions of diaries be limited to secretaries and electronic diaries be kept by directorates.

13 CONFERENCES, MEETINGS AND STUDY TOURS

13.1 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.

13.2 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 maybe, must take the following into account; -

13.2.1 The official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;

13.2.2 Whether the conference or event addresses relevant concerns of the institution;

13.2.3 The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and

13.2.4 The availability of funds to meet expenses related to the conference or event.

13.3 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.

13.4 The benchmark costs referred to in sub clause (13.3) may not exceed an amount as determined from time to time by the National Treasury through a notice.

13.5 The amount referred to in sub-clause (13.4) excludes costs related to travel, accommodation and related expenses, but includes; -

13.5.1 Conference or event registration expenses and

13.5.2 Any other expense incurred in relation to the conference or event.

13.6 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that built into the price of such conferences or events.

13.7 The accounting offer of the municipality or municipal entity 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.

13.8 Municipal or provincial office facilities must be utilized for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.

13.9 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 sub-clause (13.2).

13.10 A municipality or municipal entity must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

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 agenda and brochures and other inducements as part of, or during election periods or to fund an activity 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 A municipality or municipal entity must avoid expenditure on elaborate and expensive office furniture.
- 14.5 A municipality or municipal entity may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political officer bearers and key officials and a report must be submitted to the speaker's office.
- 14.6 A municipality or municipal entity 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.
- 14.7 A municipality or municipal entity must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

15 ENFORCEMENT PROCEDURES

- 15.1 Failure to implement or comply with these clauses and regulations may result in any official of the municipality or municipal entity, political office bearer or director of the board that authorized 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 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 The reports referred to in sub-clause (16.2) must be copied to the National Treasury and the Provincial Treasury within seven calendar days after the report is submitted to municipal council.

17 IMPLEMENTATION & REVIEW PROCESS

17.1 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.

18 CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES.

18.1 any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.

18.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigation.

18.3 If the accounting officer terminates the allegations are founded, a full investigation must be conducted by the disciplinary board.

18.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on;

18.4.1 Findings and recommendations; and/or

18.4.2 Whether disciplinary steps should be taken against the alleged transgressor.

18.5 The accounting officer must table the report with recommendations to the municipal council.

18.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

19 SHORT TITLE

19.1 This policy shall be called the Cost Containment Policy of UKhahlamba Local Municipality.