



Zululand
District Municipality

Cost containment policy

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1. Definitions

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

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

"Accounting Officer" means the Municipal Manager appointed in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act no.117 of 1998), and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

"Catering" means the provisioning of a meal at a formal sit-down and dine but excludes "refreshments."

"Councilor" means a member of Council.

"Consultant" means a professional person, individual, partnership, corporation, or a company appointment to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality or municipal entity perform its functions to achieve the objects of local government in terms of section 152 of the Constitution.

"Consulting service" means those specialist services and skills that are required for the achievement of a specific objective with the aim of providing expert and professional advice on a time and ad-hoc basis. These professional services may include:

- a) the rendering of expert advice
- b) obtaining relevant information from the institution to draft a proposal for the execution of specific tasks that are of a technical or intellectual nature.
- c) business and advisory services
- d) infrastructure and planning services
- e) laboratory services; and
- f) science and technology.

"Cost containment" means measures implemented to curtail spending in terms of this Policy.

"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.

"Delegated official" means any person or committee delegated with authority by the municipality in terms of the provisions of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003).

“Delegation” in relation to a duty, includes an instruction or request to perform or assist in performing the duty, and “delegate” has a corresponding meaning.

“Economical” means the cost of the resources consumed versus the value of the output obtained, i.e., it is about receiving value for money.

“Effective” means that you are successful or achieving the required results, i.e., it is about doing the right things.

“Efficient” means that you are performing or functioning in the best possible manner with the least waste of time and effort.

“Official” means an employee of Saldanha Bay municipality responsible for performing a duty or function or exercising any power in terms of this policy and includes any employee delegated to conduct or exercise the duty, function, or power.

“Political Office Bearer” means the speaker, executive mayor, deputy executive mayor, mayor, deputy mayor or member of the executive or mayoral committee as referred to in the Municipal Structures Act.

“Return trip” means a trip from one place to another place/s and back to where you started from.

“Refreshments” mean light snacks and/or drinks that is provided during meetings or events.

“Social event” means an event involving a public performance, or where entertainment is provided, or a competition where a winner is selected, or a team building exercise, or a year-end function, or a sporting event, or budget vote diners. It excludes events where recognition is given to employees for achievements.

2. Objective of policy

2.1. 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 the municipality are used economically, effectively, and efficiently by implementing cost containment measures.

3. Application of the cost containment policy

This policy applies to all:

- 3.1 Political office bearers; and
- 3.2 Municipal officials.

4. Cost containment policy

4.1 The policy must be read in conjunction with:

- a) The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).
- b) The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) – Municipal Cost Containment Regulations, 2019.
- c) The Municipal Finance Management Act, Act 2005 (Act No. 56 of 2003), Circular 82, published on 7 December 2016
- d) The By-Laws of Zululand District municipality; and
- e) The policies of Zululand District municipality.

4.2. The policy shall be reviewed annually as part of the budget process.

4.3. The policy shall be communicated on the municipality's website.

4.4. Included in the policy is measures to monitor the implementation.

4.5. This policy will apply to the procurement of the following goods and/or services:

- a) Use of consultants
- b) Vehicles used for political office-bearers.
- c) Travel and subsistence.
- d) Domestic accommodation
- e) Credit Cards
- f) Sponsorships, events, and catering
- g) Communication
- h) Conferences, meetings, and study tours
- i) Any other related expenditure items

5. USE OF CONSULTANTS

5.1. Consultants 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 employ to perform the function.

5.2. Consultants may only be remunerated at the rates equal to or below those –

- a) 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).
- b) set out in the "Guide on Hourly Fee Rates for Consultants," by the Department of Public Service and Administration (DPSA); or
- c) prescribed by the body regulating the profession of the consultant i.e., ECSA guidelines.

5.3. The tender documentation/ Service Level Agreement 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 5.2 above.

5.4. When negotiating cost-effective consultancy rates for international consultants, the accounting officer may consider the relevant international and market determined rates.

5.5. When consultants are appointed, the accounting officer, delegated official or committee must –

- a) Appoint consultants on a time and cost basis with specific start and end dates
- b) Where practical, appoint consultants on an output-specified basis, subject to a clear specification of deliverables and associated remuneration.
- c) Ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements.
- d) Ensure the transfer of skills by consultants to the relevant officials of the municipality.
- e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations and the municipality's Supply Chain Management policy; and
- f) Develop consultancy reduction plans to reduce the reliance on consultants.

5.6. All contracts with consultants must include fee retention or penalty clause/s for poor performance.

5.7. The tender specifications and vendor performance must be used as a monitoring tool for the work to be undertaken and must be appropriately recorded and monitored.

5.8. The contract price must specify all travel and subsistence costs. If the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

6.VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- a) An official vehicle for the use of political office-bearers is permissible under the current practices and procedures adopted by the municipality and will require adherence to any policy on the use of such a vehicle.
- b) Prior to the replacement of the official vehicle the chief financial officer (CFO) will report on an assessment of the condition of the vehicle, the kilometers used on record, and any mechanical problems supported by a detailed mechanical report by the vehicle manufacturer or approved dealer.
- c) The procurement of vehicles must be undertaken using the national government transversal mechanism.
- d) If any other procurement process is used, the cost may not exceed the
- e) threshold set out.
- f) Before deciding to procure a vehicle, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
 - i. Status of the current vehicles.
 - ii. Affordability
 - iii. Extent of service delivery
 - iv. Terrain for effective usage of the vehicle; and
 - v. Any other policy of council
- g) Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000km.
- h) Municipality may replace a vehicle 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.
- i) The accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

7. TRAVEL AND SUBSISTENCE

7.1. Flight tickets

- a) The accounting officer or delegated official may approve the purchase of economy class tickets for officials where the flying time for the flights is five hours or less; and

b) The accounting officer may approve the purchase of business class tickets for officials, political office bearers, councilors and persons reporting directly to the accounting officer for flights exceeding 5 hours.

7.2. In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is 5 hours or less and business class tickets for flights exceeds 5 hours.

7.3 Accounting officer may approve the purchase of business class tickets for an official, a political office bearer or a counselor with a disability or a medically certified condition.

7.4 International travel for meetings or events must 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, political office bearers or councilors directly involved in the subject matter related to such meetings or events.

7.5 Officials of the municipality must:

- I. Utilize the municipal fleet, where viable before incurring costs to hire vehicles.
- II. Make use of a shuttle service if the cost of such a service provider is lower than:
 - a. The cost of hiring a vehicle.
 - b. The cost of kilometers claimable by the employee; and
 - c. The cost of parking.
- iii. Not hire vehicles from a category higher than Group B; and 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.
- III. 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.

8. DOMESTIC ACCOMMODATION

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:

8.1. During peak holiday periods; or

8.2 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 geographical area; and

8.3 The municipality or municipal entity must utilize the negotiated rates for accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper accommodation.

8.4 Domestic accommodation

8.5 Overnight accommodation may only be booked where the return trip exceeds 500 kilometers, or the accounting officer have considered a motivation on the risk associated with extended daily travel and the conditions of the road and other incidents.

9. SPONSORSHIPS, EVENTS AND CATERING

9.1 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality unless the prior written approval of the accounting officer is obtained.

9.2 The accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five (5) hours.

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

9.4 The municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.

9.5 The 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's budget.

9.6 The municipality may not incur expenditure 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.

10. ATTENDANCE OF CONFERENCES, SEMINARS AND WORKSHOPS

10.1 The 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 considering their merits and benefits, costs, and available alternatives.

10.2 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, must take the following into account -

10.2.1 the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event.

10.2.2 whether the conference or event addresses relevant concerns of the institution.

10.2.3 the appropriate number of officials or political office bearers, as may be required to attend the conference or event; and

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

10.3 The 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.

10.4 The benchmark costs referred to above may not exceed an amount as determined from time to time by the National Treasury through a notice.

10.5 The amount referred to in subparagraph (4) above excludes costs related to travel, accommodation, and related expenses, but includes:

10.5.1 conference or event registration expenses; and

10.5.2 any other expense incurred in relation to the conference or event.

10.6 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.

10.7 The accounting officer of a municipality must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be possible, held in-house.

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

10.9 The 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 subparagraph 10.2 above.

10.10 The municipality or municipal entity must, where applicable, take advantage of early registration discounts by granting the required approvals to attend conferences, events, or study tours, in advance.

11.DISCLOSURE OF COST CONTAINMENT MEASURES

11.1 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.

11.2 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.

11.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

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