



Sarah Baartman

DISTRICT MUNICIPALITY

Province of the Eastern Cape

progress through development

Cost Containment Policy

May 2023

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1. Definitions

"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 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 the Municipal Cost Containment Regulations, 2019.

"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.

"full-time" means municipal officials employed by the municipality on a permanent or contract basis.

"municipality" is the Sarah Baartman District Municipality.

2. Purpose

The purpose of the policy is to regulate spending and to implement cost containment measures at the Sarah Baartman District Municipality.

3. Objectives of the policy

The objectives of this policy are to:

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

4. Scope of the policy

This policy will apply to all Councillors and Municipal officials of the municipality.

5. Legislative framework

This policy must be read in conjunction with the -

- The Municipal Finance Management Act, Circular 97, published in July 2019;
- Municipal Cost Containment Regulations, 2019; and
- Travelling and subsistence policy.

6. Policy principles

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

- a) Use of consultants
- b) Procurement of vehicles used by Councillors
- c) Travel & subsistence and domestic accommodation
- d) Credit cards
- e) Events and meetings
- f) Publications
- g) Conferences, events and study tours
- h) Other related expenditure items

7. Use of consultants

7.1. The municipality may only appoint consultants 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.

7.2 For procurement of services above R30 000 (VAT included), the specification committee must perform an assessment to determine whether the service provider will be considered a consultant by

completing the Assessment for Utilisation of Consultants Form (see Annexure "A"), which must be agreed by the Departmental Head.

- 7.3 The Departmental Director must recommend the use of the consultant by completing the Approval for Utilisation of Consultants Form (see Annexure "B"), which must be approved by the Accounting Officer.
- 7.4 The Accounting Officer must develop a consultancy reduction plan to reduce the reliance on consultants.
- 7.5 A fair and reasonable remuneration framework for consultants must be considered as follows:
- a) Rates 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; or
 - b) Rates set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
 - c) Rates as prescribed by the body regulating the profession of the consultant.
- 7.6 When consultants are appointed, an Accounting Officer must ensure that the following are included in the specifications:
- 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 specific measurable objectives 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; and
 - d) ensure the transfer of skills by consultants to the relevant officials of the municipality.

- 7.7 Travel and subsistence costs for appointed consultants must be excluded from the contract price and such costs must be reimbursed to a maximum of an all-inclusive cost as indicated in the attached Annexure "C".
- 7.8 The Accounting Officer must negotiate, with the preferred service provider, rates that are in excess of the guidelines referred to in paragraph 7.4 and the rates in paragraph 7.6. Where applicable the Accounting Officer delegates the negotiation process to the evaluation committee upon recommendation by the adjudication committee.
- 7.9 Where the negotiated rates remain in excess of those stipulated in the paragraph 7.5 and 7.6, the Accounting Officer must approve the award upon recommendation by the adjudication committee.

8. Procurement of vehicles used by Councillors

- 8.1. The threshold limit for vehicle purchases relating to official use by councillors must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the public office bearer, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 8.2. In procuring vehicles mentioned in paragraph 8.1, the municipality must first conduct market research, taking into account the national government transversal contract and must use the transversal contract mechanism to procure vehicles in order to realize the actual cost savings already negotiated under the contract if this is the cheaper option after all associated costs have been taken into account.
- 8.3. Before deciding to procure a vehicle as contemplated in paragraph 8.2. above, the Accounting Officer or delegated official must provide the

council with information relating to the following criteria which must be considered:

- a) status of current vehicles determined through an external assessment;
 - b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost effective option is followed and the cost is equivalent to or lower than that contemplated in paragraph 8.1 above;
 - c) extent of service delivery backlogs;
 - d) terrain for effective usage of the vehicle; and
 - e) any other policy of council.
- 8.4. If the rental referred to in paragraph 8.3 is preferred, the Accounting Officer must review the costs incurred regularly to ensure that value for money is obtained.
- 8.5. Regardless of their usage, vehicles for official use by councillors may only be replaced after completion of 150 000 kilometres.
- 8.6. Notwithstanding paragraph 8.5, the municipality may replace a vehicle for official use by Councillors before the completion of 150 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.
- 8.7. An Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. Travel & subsistence and domestic accommodation

- 9.1. Refer to the council approved travel and subsistence policy.
- 9.2. An accounting officer may approve the purchase of economy class tickets for all officials or political office bearers.
- 9.3. In the case of the accounting officer, the mayor may approve the purchase of economy class tickets.
- 9.4. The cost containment policy must limit international travel 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 or political office bearers directly involved in the subject matter related to such meetings or events.
- 9.5 An accounting officer, or the mayor in the case of 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 -
- (a) during peak holiday periods; or
 - (b) 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 particular geographical area.
- 9.6 An official or a political office bearer of a municipality must -
- (a) utilise the municipal fleet unless receiving a car allowance, where viable, before incurring costs to hire vehicles;
 - (b) make use of available shuttle service if the cost of such a service is lower than -
 - (i) the cost of hiring a vehicle;
 - (ii) the cost of kilometres claimable by the official or political office bearer; and
 - (iii) the cost of parking.
 - (c) not hire vehicles from a category higher than Group B or an equivalent class; and
 - (d) 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.
- 9.7 A municipality or a municipal entity must utilise 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.
- 9.8 An official or a political office bearer of a municipality must do a cost analysis of the following and the lowest cost option must be utilised:
- (a) number of kilometers expected to be travelled at the reimbursive travel rate
 - (b) cost of local flight and car hire/shuttle service if required

10. Credit cards

- 10.1. 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 councillor.
- 10.2. Where officials or councillors incur expenditure in relation to official municipal activities, such officials or councillors, must use their personal

credit cards or cash or arrangements made by the municipality, and request reimbursement in accordance with the written approved policy and processes.

11. Events and meetings

- 11.1. The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality.
- 11.2. An Accounting Officer may incur catering expenses where the municipality hosts meetings, conferences, workshops, courses, forums, recruitment interviews and proceedings of council that exceed five hours (including travel time).
- 11.3. The Accounting Officer of the municipality 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.
- 11.4. Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- 11.5. The municipality may not incur expenses on alcoholic beverages unless it recovers the cost from the sale of such beverages.
- 11.6. An Accounting Officer must ensure that social events, team building exercises, year-end functions and sporting events are not financed from the municipality's budget or by any suppliers or sponsors.
- 11.7. An Accounting Officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials and councillors who retire or resign after serving the municipality for ten or more years or retire on grounds of ill health.

12. Publications

- 12.1. The municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.

- 12.2. Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.

13. Conferences, events and study tours

- 13.1. When considering applications from officials or councillors to attend study tours, conferences or events hosted by professional bodies or non-governmental institutions within and outside the borders of South Africa, the Accounting Officer or Executive Mayor, as the case may be, must take the following into account -
- a) the official's or councillor's role and responsibilities and the anticipated benefits;
 - b) whether relevant concerns of the institution will be addressed;
 - c) the appropriate number of officials or councillors, limited to three; and
 - d) the availability of funds to meet the related expenses.
- 13.2. The Executive Mayor must consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a study tour, conference or event within and outside the borders of South Africa.
- 13.3. When considering costs for study tours, conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price.
- 13.4. The municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 13.5. All international visits relating to governmental institutions must be approved by council.
- 13.6. Municipal or provincial office facilities must be utilised for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.

14. Printing and distribution of agendas

- 14.1 For meetings where members are 10 or less, hardcopy agendas will be printed and distributed at the meeting venue on the day of the meeting.
- 14.2 For meetings where members are more than 10, only electronic agendas will be distributed.

This will not apply for Council meetings where the following will be implemented:

- (a) hardcopy agendas will be printed and distributed at the meeting venue on the day of the meeting
 - (b) no hardcopies will be printed for items referred to in the agenda 'under separate cover'
- 14.3 Electronic agendas will be distributed at least 5 days prior to the date of the meeting.

15. Other related expenditure items

- 15.1. 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.
- 15.2. All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered to benefit from savings where lower prices or rates have been negotiated.
- 15.3. 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.
- 15.4. Expenditure on tools of trade for councillors 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.

- 15.5. The municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.6. The municipality must manage all overtime through the council approved overtime policy.
- 15.7. The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

16. Enforcement Procedures

- 16.1. Failure to implement or comply with these Regulations may result in any official of the municipality or councillor that authorised or incurred any expenditure contrary to these regulations being held liable for financial misconduct or a financial offence in the case of councillors as defined in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

17. Disclosures of cost containment measures

- 17.1. The disclosure of cost containment measures applied by the municipality must be included in the municipal in-year budget reports (section 52 and 72) and annual costs savings disclosed in the annual report as required by Annexure D of MFMA Circular no 97.
- 17.2. 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. The municipal council can refer such reports to an appropriate Council Committee for further recommendations and actions.

17.3. The reports referred to in paragraph 16.2 must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

18. Implementation and review process

18.1. This policy will be reviewed at least annually or when required by way of a council resolution.

ANNEXURE A - ASSESSMENT FOR UTILISATION OF CONSULTANTS FORM**BID/FORMAL QUOTE NUMBER:****BID/FORMAL QUOTE DESCRIPTION:****Purpose**

The municipality may only appoint consultants 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.

This form must be completed for procurement of services above R30 000.

Definition as per Cost Containment Policy

"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 to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution.

ASSESSMENT BY BID/FORMAL QUOTE SPECIFICATION COMMITTEE

- 1 Is the professional appointed to provide technical and specialist advice?

☐	YES
☐	NO

- 2 Is the professional required to assist with a design and implementation of projects?

☐	YES
☐	NO

- 3 Is the professional required to assist the municipality to perform its functions?

☐	YES
☐	NO

If answered "YES" to any of the above questions, the service provider will be viewed as a Consultant.

Will the service provider be viewed as a Consultant?

☐	YES
☐	NO

If YES, the approval form must be completed.

SIGNED BY ASSESSMENT BY BID/FORMAL QUOTE SPECIFICATION COMMITTEE:

NAME: _____ SIGNATURE: _____

NAME: _____ SIGNATURE: _____

NAME: _____ SIGNATURE: _____

NAME: _____ SIGNATURE: _____

NAME: _____ SIGNATURE: _____

NAME: _____ SIGNATURE: _____

DEPARTMENT HEAD:

☐	Agree with assessment by Specification Committee
☐	Disagree with assessment by Specification Committee

If disagree, provide reasons

NAME: _____ SIGNATURE: _____

DATE: _____

ANNEXURE B - APPROVAL FOR UTILISATION OF CONSULTANTS FORM**Purpose**

The municipality may only appoint consultants 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.

This form must be completed for procurement of services above R30 000.

Motivation for use of a consultant

1 Describe the work to be performed by the consultant

2 Indicate the nature of work to be performed (e.g. ad hoc or recurring) by ticking the appropriate option:

☐	Ad hoc
☐	Recurring/Periodic
☐	Other - provide details

3 Was this service acquired through the use of consultants previously? Indicate by ticking the appropriate option:

☐	No
☐	Yes - Indicate when a consulting service was previously used

4 Indicate the highest level of skill required by the consultant by ticking the appropriate option:
Operational; Supervisory; Managerial; Specialised

☐	Operational
☐	Supervisory
☐	Managerial
☐	Specialised

5 Does the skill and experience exist in the institution for the service required to be performed?

☐	Yes
☐	No - official not adequately skilled
☐	No - official not adequately resourced
☐	No - vacancy
☐	No - specialist qualification and skills is not available in the municipality

If yes, provide justification for use of consultant

If no due to official not being adequately skilled. Provide details of how the required skill level will be obtained

If no due to official not being adequately resourced. Provide details of how the required resources will be obtained

If no due vacancy. Provide details of when the vacancy will be filled.

If no due specialist qualification and skills required. Provide reasons why these are not available in the municipality

Prepared By:

Signature: _____

Date: _____

Recommended By Departmental Director

Signature: _____

Date: _____

ACCOUNTING OFFICER

☐	Approved
☐	Not Approved

If not approved, provide reasons

Signature: _____

Date: _____

Annexure C - Travel and subsistence costs for appointed consultants

Travel and subsistence costs for appointed consultants must be excluded from the contract price and such costs must be reimbursed to a maximum of an all-inclusive cost as follows:

- a) Rate for accommodation per night – R 1 600
- b) Rate per km travelled – R 5.50
- c) Rate for car hire per day – R 700
- d) Rate for return air flight – R 4 000