KOUGA MUNICIPALITY



Cost Containment POLICY

IMPLEMENTATION OF COST CONTAINMENT PLAN

PREAMBLE

The object of this policy, in line with the Cost Containment Regulations, and in line with MFMA sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b), is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

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

1. Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners

Measure

- Directors must ensure compliance with all the relevant policies and procedures, as it relates to employment contracts, for the aforementioned employment categories.

Controls

- Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Corporate Services Directorate, ensure compliance.

- The Corporate Services Directorate must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011)

- The relevant recruitment notifications must be endorsed by the Salaries and Expenditure Section for budget availability, after HR has confirmed compliance with the applicable HR policies.

2. Travel claims

Measure

- Ensure effective control over travel claims.

Controls

- Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.

- Travelling must be pre-authorised by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.

- The respective Directors should exercise control over the distances travelled.

3. Credit Cards

The use of credit and debit cards was addressed in an earlier MFMA Circular.

A bank, or any other institution, may not issue credit cards or debit cards linked to a bank account of a municipality or a municipal entity to any councillors, entity board members, municipal or entity officials or any other person. The issuing and use of such cards be it for official purposes:

- contravenes section 11 and 85 of the MFMA as there is no way of ensuring that all purchases made on the card are in accordance with the items listed in the sections or as prescribed.

- contravenes section 167 of the MFMA which provides that any bursary, loan, advance or other benefit paid to a municipal councillor otherwise than in accordance with the provisions of the Remuneration of Public Office Bearers Act constitutes irregular expenditure.

- contravening section 15 of the MFMA by incurring expenditure not authorised in an approved budget.

- non-compliance with section 164 of the MFMA which provides that no municipality or municipal entity may make loans to councillors or officials of the municipality, directors or officials of the entity or members of the public.

- non-compliance with the supply chain management regulations; and

- undermines efforts to safeguard municipal funds, combat fraud and corruption, as well as other irregular practices.

While the use of petrol cards or garage cards for municipal vehicles is permitted, it must be utilised in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.

Where officials or councillors incur expenses in relation to official municipal activities, they should use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the relevant municipal policy and processes. Alternatively, the municipality should make arrangements with the service provider that the expenditure be settled directly by the municipality.

4. Essential Vehicle User Scheme

Measure

- Limit expenditure under the scheme and apply the applicable policies and procedures consistently.

Controls

- Policy guidelines must be formulated by the Corporate Services Directorate relating to the type of vehicles to be purchased by qualifying employees, requiring vehicles for the execution of their duties.

5. Acting Allowances

Measure

Acting allowances must be paid in accordance with the applicable HR policies, SALGBC Collective Agreements and any applicable legislation.

Controls

- Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
- Acting **must** only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
- Acting **must** only be permitted in funded vacant positions.
- Prior to an employee being assigned to act, the request must firstly be forwarded to the Salaries and Expenditure Section to confirm budget availability.
- Acting for extended periods **must** be discouraged, unless **motivated** to the Municipal Manager, based on operational reasons. This will ensure that the municipality is not exposed to unnecessary litigation.

6. Overtime

Measure

- Overtime must be undertaken in compliance with all relevant policies, SALGBC Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act).

Controls

- Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.
- Authority to work overtime in excess of 40 hours per month, must be obtained from the Municipal Manager **prior** to the overtime being worked, as this is in contravention of Section 10 of the Basic Conditions of Employment Act (BCEA).
- The Director **must** ensure that overtime worked in excess of 40 hours, was authorised **by the Municipal Manager prior** to the actual overtime being worked.

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- The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
- The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- The Corporate Services Directorate must ensure that an Overtime Policy is developed and approved by Council, and such policy **must be** in line with the applicable legislation and regulations.

7. Catering Costs

- No catering expenses may be incurred for any meetings where only municipal officials are in attendance. Notwithstanding the above, the accounting officer may incur catering expenses for the following, provided that such last for five (5) continuous hours or more:

    a) The hosting of conferences, workshop, courses, forums, recruitment interviews, training courses, hearings;

    b) Meetings related to commissions or committees of inquiry;

- No expenses may be incurred on alcoholic beverages.

- Ensure that team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.

- Notwithstanding the above, accounting officers may incur no more than the petty cash allocation or limitations on expenditure from their respective budgets to host farewell functions to employees who are either;

    i. proceeding on retirement due to ill health; or

    ii. proceeding on retirement after reaching the qualifying age of a minimum of ten (10) or more years working for the public services.

- Accounting officers may **not** host farewell functions for employees who have:
    a) been dismissed.
    b) elected to resign or leave by accepting severance packages; or
    c) Approached the end of their contractual term.

The following control measures are applicable as it relates to catering and entertainment: -

Control Measures

- Apart from refreshments and sandwiches, catering and refreshments may be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings, at the discretion of the Municipal Manager.

8. Events, Advertising and sponsorships

- Eliminate wasteful expenditure on events, advertising in magazines, television, newspapers etc. where the municipality can use other cost effective means such as websites to market the institution or properly publicise the matters or events under consideration.

- Memorabilia, gifts and other novelties should be of token value only and should only be offered in order to acknowledge support or a visit or attendance by a dignitary in connection with a benefit to the local community; to reciprocate the giving of a similar token gift by another organisation; or similar but in all cases there must be an identifiable benefit to the community.

- Limit or stop all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councillors.

9. Attendance of Conferences, Seminars & Workshops

Measures and Controls

- Conferences, seminars and workshops **may** be attended by Officials and Councillors, but only when absolutely necessary.
- The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.
- The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, **must** be restricted to two delegates.
- The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the Municipality.
- Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
- In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Municipal Manager.

10. Municipal Workshops, Retreats, Strategic Sessions and Internal training

Controls

- Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
- The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.
- Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
- The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.
- Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Municipal Manager approving the use of external venues.

11. Projects /Programme Launches

Controls

- The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.

- When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

12. Engagement of Consultants

- The Accounting Officer must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

- Evidence of acute planning of the project must be visible to all relevant persons including the administration and political oversight mechanisms in place at the municipality.

- Consultants, including construction and infrastructure related services, must 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 AuditorGeneral 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.

- Ensure an exacting "specification" of the work to be accomplished accompanies the tender and is used as a monitoring tool, are appropriately recorded and monitored.

- Ensure that contracts for consultants include retention and penalty clauses for poor performance and in this regard against the above specification, the accounting officer must invoke such clauses, where deemed necessary.

- It is mandatory that the accounting officer concludes on the best "value for money", i.e. matching fees against quality and against benchmarked practices.

- The Accounting officer must appoint consultants on a time and cost basis with specific start and end dates.

- Travel and subsistence costs for the appointment of consultants must be in accordance with the travel policy of government, whilst the contract price must specify all travel and subsistence costs.

- If travel and subsistence costs for appointed consultants are exclusive of the contract, the costs must be in accordance with the following provisions:

    a) Hotel accommodation may not exceed the amount mentioned in MFMA Circular No.82

    b) Only economy class air tickets may be purchased for flights;

    c) Only group B vehicles or lower may be hired for engagements, as mentioned in MFMA Circular No. 82

    d) Kilometers claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.

- Municipalities are urged to develop consultancy reduction plans.

- Undertake all engagements of consultants in accordance with the SCM Regulations and the municipality's SCM policy.

  Measure

- The use of consultants must be reviewed and curtailed.

  Controls

- All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Director concerned, endorses the procurement process.

- Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.

- Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he may in turn instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.

- Any SLA or contract signed with consultants, must include

  (i) penalty clauses for poor performance,
  (ii) clauses that deal with skills transfer,
  (iii) period of the contract must be clearly stated, amongst other pertinent clauses.

- Directorates who deal with consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.

- The Municipal Manager **must** give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

13. Telephone costs (Landlines)

Measure

- The Council's policy relating to payment for private calls must be fully enforced by all Directorates.

Controls

- The cost of private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), so that the necessary deductions can be made from the affected municipal employees' salaries.

14. Uniforms and Clothing

Controls

- A Uniforms Policy **must** be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc in line with the working environment of the respective employees.

- A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

15. Office Furnishing

Measure

- Municipalities should exercise due precaution in refurbishing offices, purchasing equipment, etc. especially when new persons are elected or appointed. Use of existing facilities and equipment is encouraged.

- Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.

16. Travel and Subsistence

In line with the National Treasury instruction 01 of 2013/2014, as it relates to travel and subsistence expenses, the following control measures must be implemented: -

Control measures

- Only economy class tickets to be purchased for employees and Councillors, where the flying time of the flight is five (5) hours or less.

- The Municipal Manager may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.

- Purchasing of air tickets for first class travel is not permitted, under any circumstances.

- Domestic hotel accommodation linked to travel and subsistence may not exceed **the relevant rates** per night per person (including dinner, breakfast and parking). National Treasury may periodically review this amount.

- The amount of R1,300 quoted above may be exceeded with approval of the Municipal Manager in instances (i) such as peak holiday periods, and (ii) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country or in that particular geographical area.

- Hiring of Vehicles for travelling **must** be undertaken in terms of the Council approved policy as it relates to vehicle groupings that can be hired per the level of employees / Councillors.

- Sharing of the mode of transport when Employees / Councillors travel to the same destination.

- Overnight accommodation **must** be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).

- When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).

- Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

17. staff study, perks and suspension costs

- Training attended by employees and councillors may only be attended at pre-approved service providers to ensure sufficient quality of training and to obtain value for money.

- Expenditure associated with overseas study tours by councillors or officials must be reduced and preferably stopped.

- Encourage staff to take time off to make up for overtime worked.

- Planned overtime must be submitted to management for consideration on a monthly basis.

- Unplanned overtime worked must be motivated and approved by management.

- Costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.

- Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

18. Vehicles used for political office-bearers

- The threshold limit for vehicle purchases relating to official use by political office - bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for the different grades of municipalities, 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.

- The procurement of vehicles in sub -bullet point (1) must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

- Before deciding to procure a vehicle as contemplated in sub -bullet point (2), 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;
  (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 sub -bullet point (1);
  (c) extent of service delivery backlogs;
  (d) terrain for effective usage of the vehicle; and
  (e) any other policy of council.

- If the rental referred to in sub -bullet point (3) is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

- Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

- Notwithstanding sub -bullet point (5), the 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.

- the accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

19. Cost containment on other related expenditure items

- The Accounting Officer to ensure that all commodities and products that the National Treasury has designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.

- Periodic or quarterly threat assessments against councillors and key officials should be undertaken by the appropriate authority (SAPS) and reported to the Speaker's Office. Approval for security measures must be informed by such reports, if paid for from municipal funds.

- Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies.

- Printing of documents should carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.

- Review and introduce limits on municipal staff telephones and limiting private call to a reasonable amount.

- Every effort must be made to recover debt from consumers before write-off. Municipalities to avoid the excessive usage of debt collectors and improve its internal capacity for debt collection.

- Ensure synergy between municipal divisions or departments to avoid duplication of processes and efforts.

- Where possible the warranties on vehicle and computer equipment should be extended instead of procuring new ones.

- Labour saving devices should be shared to optimize the capacity utilization of each device.

- Purchasing of newspapers and other publications for municipal employees to limited and stopped.

- Municipalities should ensure that awareness is raised with municipal staff so that a high degree of energy saving measures can be introduced, e.g. air-conditioning and lights in buildings are switched off at night and when offices are not in use.

20. General measures to be implemented

- In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.

- E-Learning methods should be considered for in-house training.

- Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.

- Where possible, transversal contracts must be used for the procurement of goods and services.

- Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.

- Bulk purchases should be considered for regularly consumed inventory.

21. Enforcement Procedures

Failure to implement or comply with this Policy may result in any official of the municipality, political office bearer that authorised or incurred any expenditure contrary to this policy being held liable for financial misconduct or a financial offence in the case of political office bearers as defined in Chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

21. Monitoring and evaluation

- The 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.

- The Directors must report on the implementation of the Cost Containment Policy, to the Portfolio Committees monthly (attached template as Annexure A).

- CFO must report on the implementation of the Cost Containment Policy, to Council on a quarterly basis, and the report must be sent to National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to Council (attached template as Annexure A).

ANNEXURE A

KOUGA local municipality
Good Governance through Service Excellence

Cape St Francis
Hankey
Humansdorp
Jeffreys Bay
Loerie
Oyster Bay
Patensie
St Francis Bay
Thornhill

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IMPLEMENTATION OF COST CONTAINMENT PLAN TEMPLATE (ANNEXURE "A")

CONTROL MEASURES	PROJECT/ITEM DESCRIPTION/UKEY NR	BUDGET ALLOCATION	COST SAVINGS	REPRIORITISATION COST OF SAVINGS
1. Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners				
2. Travel claims				
3. Essential Vehicle User Scheme				
4. Overtime				
5. Catering Costs				
6. Events, Advertising and sponsorships				
7. Attendance of Conferences, Seminars & Workshops				
8. Municipal Workshops, Retreats, Strategic Sessions and Internal training				
9. Projects /Programme Launches				