

LEPHALALE LOCAL MUNICIPALITY



COST CONTAINMENT POLICY

2023/2024

COST CONTAINMENT POLICY

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1. DEFINITIONS

“**Act**” means the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003)

“**Business Model**” means a department’s core activities as derived from the Integrated Development Plan (IDP) supporting the viability of Lephalale Municipality, including its purpose, its goals and its on-going plans (SDBIP) for achieving them. At its simplest, a business model is a specification describing how the municipality fulfils its purpose.

“**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 the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

“**Credit Cards**” means a card issued by a financial service provider, which creates a revolving account and grants a line of credit to the cardholder.

“**Cost containment**” is the measures implemented to curtail spending in terms of this policy.

“**Municipality**” means Lephalale Local Municipality (LLM).

“**Social Element**” includes, but not limited to:

(a) Food and refreshment

- (b) No benefit to the core functions of the municipality.
- (c) Any event that does not contribute to the service delivery, organisational development, or Local Economic Development (LED)

“Travel and Subsistence Formula” means in cases when the return trip is less than 500 kilometres. The following applies (also read with 10.3)

- (a) The cost total kilometres for x amount of days if one should travel for consecutive days attending a training /conference /forum (drive in and out)
- (b) The cost of the return journey plus accommodation.

2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures at Lephalale Local Municipality.

3. OBJECTIVES OF THE POLICY

The objectives of this policy are to:

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

4. APPLICATION OF THE POLICY

This policy will apply to:

- 4.1 Municipal Councillors
- 4.2 Municipal Employees

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the –:

- 5.1 Municipal Systems Act, 23 of 2000;
- 5.2 The Municipal Finance Management Act, sections 62 (1) (a), 78(1) (b), 95 (a) and 105 (1) (b) (read in conjunction with Municipal Finance Management regulation);
- 5.3 Basic Conditions of Employment ACT, 2002;
- 5.4 Labour Relations Act, 1995;

- 5.5 Remuneration of Public Office Bearers Act, 1998;
- 5.6 Occupational Health and Safety's Act, Act 85 of 1993;
- 5.7 SLAGBC Main Collection Agreement.
- 5.8 Disciplinary Procedure Collective Agreement;
- 5.9 Municipal Financial Misconduct Regulations, Procedure and, 2019
- 5.10 Municipal Cost Containment Regulations, 2019;
- 5.11 Disciplinary Regulation for senior managers, 2010;
- 5.12 National policies are subjects to amendments from time to time:
- 5.13 Lephalale Local Municipality's Travelling and Subsistence Policy;
- 5.14 Lephalale Local Municipality's Supply Chain Management Policy;
- 5.15 Lephalale Local Municipality's Use of Consultancy Policy;
- 5.16 Lephalale Local Municipality's Overtime policy;
- 5.17 Lephalale Local Municipality's Leave Policy;
- 5.18 Lephalale Local Municipality's Cell phone Allowance policy;
- 5.19 Lephalale Local Municipality's Assets Management policy.

6. POLICY PRINCIPLES

- 6.1. This policy will apply to the procurement of the following goods and/or services, but not limited to:
 - 6.1.1 Use of Consultants
 - 6.1.2 Vehicle used for political office -bearers
 - 6.1.3 Travel and subsistence
 - 6.1.4 Domestic accommodation
 - 6.1.5 Credit cards/ Travel Cards
 - 6.1.6 Sponsorship, events, and catering
 - 6.1.7 Communication
 - 6.1.8 Conference, meeting, and study tours
 - 6.1.9 Any other related expenditure items

7. USE OF CONSULTANT

- 7.1 A consultant may only be appointed if an assessment of the needs and requirements confirms that the end user does not have the requisite skills,

resource, or as required by any other relevant legislation, or when it compromises professional ethics in its full-time employ to perform the function.

7.1.1 In terms of procurement, the user department should first confirm if there are transversal Contracts/ tenders available. Refer to National Treasury's website for the contact list regarding transversal tenders.

7.2 The Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates.

7.2.1 Determine in the "Guideline on fees for audits undertaken on behalf of the Auditor – General of South Africa, "Issued by the Southern Africa Institute of Chartered Accountants (SAICA) for the fees guideline.

7.2.2 Set out in the "Guide on Hourly Fee Rates for Consultants ". Issued by the Department of Public Service and Administration (DPSA); or as prescribed by the body regulating the profession of the consultant. Refer to the website of the Department of Public Service and Administration (DPSA) for the required rates

7.2.3 Set out in the latest published Guidelines for Service and process for estimating of fees for Persons registered in terms of the Engineering Profession Act , 2000 (Act no 46 of 2000) , with specific rates as per Government Gazette Board Notice 138 of 2015, dated 5 December 2015.

7.2.4 Sufficient research should be done by each user department not to inflate or exceed costs for those consultants who do not have a regulatory body that prescribed rates.

7.3 The tender documentation 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 7.2

7.4 When negotiating cost-effective consultancy rates for international consultants, the Accounting Officer may take into account the relevant international and market determined

Rates.

7.5 When consultants are appointed, an Accounting Officer must-

7.5.1. Appoint consultants on a time and cost basis with specific start and end dates.

7.5.2 Where practical, appoint consultant on an output-specified basis, subject to specific measurable objectives and associated remuneration;

7.5.3 Ensure that contracts with consultants includes overall cost ceiling by specifically whether the contract price is inclusive or exclusive of travel and subsistence disbursements.

7.5.4 Ensure the transfer of skills by consultants to the relevant officials.

7.5.5 Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005, the Lephalale Local Municipality's supply chain management policy, and Use of Consultants Policy; and

7.5.6 Develop consultancy reduction plans to reduce the reliance on consultants.

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

7.7 A municipality or municipal entity must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.

7.8. The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time.

8. VEHICLE USE FOR POLITICAL OFFICE-BEARERS

8.1. The threshold limit for vehicle purchases relating to official use by political office – bearers may not exceed seven hundred thousand rand (700 000) or 70% of the total annual remuneration package for the different grades, whatever in greater.

8.2. The procurement of vehicle must be undertaken using the national government transversal mechanism

8.3. If any other procurement process is used, the cost any not exceed the threshold set out in

8.4. Before deciding on another procurement process as in 8.2, the Accounting Officer must provide the council with information relating to the following criteria that must be h considered:

8.4.1. Status of current vehicle

8.4.2. affordability of procurement options

8.4.3. extent of service delivery backlogs,

8.4.4. terrain for effective usage of vehicle any other policy of council

- 8.5. Regardless of their usage, vehicle for official use by public office bearers may only be replaced completion of 120 000 kilometres.
- 8.6. Notwithstanding 8.5. A municipality may replace vehicle for official use by the public office bearers the completion of 120 000 kilometres only in instances where the vehicle experience mechanical problems and is in a poor conditions, and subject to obtaining a detailed mechanical by the vehicle manufacturer or approved dealer.
- 8.7. The Accounting Officer must ensure that there is a policy that addresses the use of municipal vehicle for official purposes.

9. TRAVEL & SUBSISTENCE

9.1 The Accounting Officer – may approve the purchase of economy class tickets for all officials or political office bearers which flying time for the flight is five hours or less; and may only approve the purchase of business class ticket for officials, political office bearers persons reporting directing to the Accounting Office for flights exceeding five hours.

9.2. Notwithstanding sub-regulation (9.1.1.) or (9.1.2) an Accounting Officer, or the mayor in the case of Accounting Officer, may approve the purchase of business class tickets for an official or a political bearers with a disability or a medically certified condition.

9.3 International travel to meetings or events will only be approved if it is considered critical in attending meeting or event, and only the officials that are directly involved with the subjects matter will be to attend the meeting or event.

9.4 The Accounting Officer, or the mayor in the case of the Accounting Officer, may an accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice only.

9.4.1 During peak holiday periods or

9.4.2 When major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local / or international guest in that particular geographical area

9.5 The official or a political office bearer must –

9.5.1 Utilise the municipal fleet, where viable, before incurring costs to hire vehicle:

9.5.2 Make use of available public transport or a shuttle service if the cost of such a service is lower than-

(a) The cost of hiring a vehicle.

(b) The cost of kilometre claimable by the official or political office bearer; and © The cost of parking

9.5.3 Not hire vehicle from a category higher than Group B or an equipment class; and

9.5.4 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 before hiring the vehicle.

9.6 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 must be utilized.

10. DOMESTIC ACCOMMODATION

10.1 An Accounting Officer must ensure that costs incurred for domestic Accommodation and meals are in accordance with the maximum allowances rates for domestic accommodation and meals as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

10.2 The Accounting Officer or Delegated Official may limit overnight Accommodation for Travellers to instances where the distance travelled by road (by the Travellers) exceeds 500 kilometres to and from the destination (return journey)

10.3 In cases when the return trip is less than 500 kilometres, the following applies

10.3.1 The travelling and domestic accommodation costs must be determined using the "Travel and Subsistence Formula"

"Travel and Subsistence Formula" means

- a) The cost of the total kilometres for x amount of days if one should travel for consecutive days attending a training / conferences/forum (driving in and out each day)
- b) The cost of the return journeys plus accommodation.

Consider the most cost effective option between a) and b) of the "Travel and Subsistence Formula" and motivate to the Accounting Officer, by applying the standard operating procedure and completing the "Ad- hoc or Unique Request Form"

However, if b) is still favoured by the user department. Irrespective of the cost, then the user department is required to follow the motivation procedure to the Accounting Officer in terms of the cost containment operation procedure SOP.

10.4 Subsistence Cost

10.4.1 Overnight Stays

When travelling to a destination outside the boundaries of the Lephalale Local Municipality in circumstances requiring absence from the office for longer than 24 hours and exceeds a distance of 500kms (except otherwise approved by Accounting Officer), the following may be claimed (the time of departure from workplace up until the time of arrival back at workplace shall be used for purposes of calculating the length of absence):

10.4.1.1. Accommodation

a) Accommodation expenditure related to stay in accommodation for both domestic and overseas travel, but restricted to:

The relevant accommodation tariffs not exceeding the amount of R1250 per night as per (National Treasury Benchmark)

If the cost per night amount to an amount between R1250 and R2100 per night, it must be approved by Accounting Officer (as per National Treasury Benchmark).

10.4.1.2 Meal expenses (as per National Treasury Benchmark).

The following maximum meal allowances will be paid for meals. If not supplied at the Seminar/workshop/congress or event.

10.4.1.2.1 Breakfast: R120 or the tariff in which accommodated (If departure from workplace if before 06h00)

10.4.1.2.2 Lunch: R150 or the tariff in which accommodated: (if return to workplace is after 14h00) and

10.4.1.2.3 Dinner: R150 or the tariff in which accommodated “(if the return to workplace is after 18:00. Meal allowances payable on the day

10.4.1.3 Maximum of departure

10.4.1.3.1 Breakfast: R120 or the tariff in which accommodated (If departure from workplace is before 06:00)

10.4.1.3.2 Lunch: R150 or the tariff in which accommodated (If the departure from workplace is before 10:00); and

10.4.1.3.3 Dinner: R150 or the tariff in which accommodated.

11. CREDIT CARDS/TRAVEL CARDS

11.1 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 public office bearer.

11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities such officials and public office bearers must use the personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy.

11.3 Travel cards utilised by municipal officials can only be authorised by the Accounting Officer. Refer to the procedure for travel arrangements in the Lephalale Local Municipality's Travel and Subsistence policy.

12. SPONSORSHIP, EVENTS & CATERING

12.1 The municipality may not incur expenses for meeting that are only attended by persons in the employ of the municipality, unless otherwise approved by the Accounting Officer.

12.2 Catering expenses may be incurred by the Accounting Officer for the following, if they exceed five (5) hours:–

12.2.1 Hosting of meetings;

12.2.2 Conferences;

12.2.3 Workshops;

12.2.4 Courses;

12.2.5 Forums;

12.2.6 Recruitment interviews;

12.2.7 Council proceeding (whole council, including caucus, and

12.2.8 Training sessions.

12.3 Entertainment allowances of officials may not exceed two thousand rand (2 000.00) per person per financial year, unless otherwise approved by the Accounting Officer.

12.4 Expenses may not be incurred on alcohol beverages

12.5 Social functions, team building exercise, 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

12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniform, office supplies and tools of trade, unless the cost thereto recovered from the affected officials or is an integral part of the business model.

12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years or retire on grounds of ill health; the expenditure should not exceed the limit of the petty cash usage as per Supply Chain Management Policy and the municipality.

13. COMMUNICATION

- 13.1 All municipal related events may as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Publication such as internal newspapers must be designed internally and be published quarterly in an electronic media format and on the municipal websites.
- 13.3 Newspapers and other related publications for the use of officials must be disconnected on the expiry of existing contracts or supply orders.
- 13.4 The acquisition of mobile communication services may be done by using the transversal term contracts that have been arranged by the National Treasury's website for the contact list regarding transversal tenders.
- 13.5 Allowances for officials for private calls should be referred to the telephone Standard Operating Procedure.
- 13.6 Provision of diaries be limited to secretaries and electronic diaries be kept by directorates.

14. CONFERENCES, MEETINGS & STUDY TOURS

- 14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials to conferences or events within and outside the borders of South Africa, the Accounting Officer must take the following into account.
 - 14.3.1 The officials role and responsibilities and the anticipated benefits of the conference or event:
 - (a) Whether the conference or event will address the relevant concerns of the municipality
 - (b) The appropriate number of officials to attend the conference or event not exceeding three officials, and
 - (c) Availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel accommodation and related expenses, but includes:
 - 14.4.1 Conference or event registration expenses, and
 - 14.4.2 Any other expenses incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events

- 14.6 Attendance of conferences will be limited to maximum of three (3) delegates
- 14.7 Meetings and planning sessions that entails the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilized for conferences, meetings, and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conferences, event or study tour, in advance.

15. OTHER RELATED EXPENDITURE ITEMS

- 15.1 All commodities, services and products covered by the transversal contract concluded by the National Treasury must be considered before approaching the market, to benefits from savings where lower process or rates have been negotiated.
- 15.2 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 period or to fund any activities of any political party at any time.
- 15.3 Expenditure on tolls 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.
- 15.4 Expenditure on elaborate and expensive office furniture must be avoided.
- 15.5 Only the services of the South African Police Service must be used to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the Speaker and Accounting Officer's office, respectively.
- 15.6 Due process must be followed when suspecting or dismissing officials to avoid unnecessary litigation costs.
- 15.7 No travel and subsistence will be paid to candidates attending interviews.

16. ENFORCEMENT PROCEDURES

- 16.1 Failure to implement or comply with this policy may result in any municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the Act, read
With the Municipal Regulations on Financial Misconduct Procedure and Criminal Proceedings, 2014.

17. DISCLOSURE OF COSTS CONTAINMENT MEASURES

- 17.1** 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.
- 17.2** 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.
- 17.3** Such reports must be copied to the National Treasury and Limpopo Provincial Treasury within seven (7) calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION & REVIEW PROCESS

- 18.1** 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.

19. EFFECTIVE DATE

19.1 The document is called the Lephalale Local Municipality's Cost Containment Policy and was Adopted by Council at its meeting held on theday of 2023 per Council resolution number

Signed at the day of 2023.

1. ON BEHALF OF MUNICIPALITY

Witness:

Signed at the day of 2023.
adopted by Council on