

Overberg District Municipality



DRAFT COST CONTAINMENT POLICY

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1. DEFINITIONS

“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.

“cost containment” the measures implemented to curtail spending in terms

“municipality” Overberg District Municipality

2. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the –

5.1 The Local Government: Municipal Finance Management Act 2003 (Act No. 56 of 2003), as well as the draft regulations intended to be in terms of section 168 (1) (b) and (p) of that Act.

5.2 MFMA Circular 82 of March 2016 as updated in November 2016; and

5.3 Travelling and subsistence policy.

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. SCOPE OF THE POLICY

This policy will apply to all:

4.1 Councilors'; and

4.2 Municipal employees.

GENERAL EXPENDITURE

5. USE OF CONSULTANTS

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

5.2 The assessment referred to in 5.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultants will carry out.

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

- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates, preferable;
- (ii) Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
- (iii) Ensure that cost ceilings are included to specify the contract price as well as travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence; and
- (iv) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
- (v) a clause that deals with skills transfer.

5.4 Consultancy reduction plans should be developed.

5.5 All contracts with consultants must include a penalty clause for poor performance.

5.6 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.

6. TRAVEL & SUBSISTENCE

6.1 An accounting officer may only approve the purchase of economy class tickets for air travel.

6.2 Notwithstanding 6.1, an accounting officer may approve the purchase business class tickets for officials with disabilities.

6.3 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.

6.4 The municipality and travel agencies, 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.

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

7. DOMESTIC ACCOMMODATION

7.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation **(based on 3 star)** and meals, as communicated by National Treasury, from time to time, and the travel and subsistence policy of the municipality.

7.2 Travel agencies must ensure that rates for domestic accommodation are equal or lower than the rates as determined by National Treasury.

8. VEHICLE HIRE

11.1 Employees are encouraged to consider own fleet first.

11.2 Employees must make use of shuttle services if the cost is below the cost for hiring a vehicle or where an employee claims for kilometres travelled plus parking costs.

11.3 Class B rates car rental will be payable in cases where car rental is appropriate.

11.4 Vehicle travel claims by employees must be restricted to the actual distance travelled.

9. CREDIT CARDS

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

10. SPONSORSHIPS, EVENTS & CATERING

10.1 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.

10.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed **five (5) hours**:

- (i) Hosting of meetings;
- (ii) Conferences;
- (iii) Workshops;
- (iv) Courses;
- (v) Forums;
- (vi) Recruitment interviews; and
- (vii) Council proceedings

10.3 No entertainment allowances for officials are allowed. In acceptable cases may entertainment costs be approved by the accounting officer.

10.4 Expenses may not be incurred on alcoholic beverages.

10.5 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.

10.6 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.

10.7 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 limits of the petty cash usage as per the petty cash policy of the municipality.

11. COMMUNICATION

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

11.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.

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

11.4 The acquisition of mobile communication services by using the transversal term contracts that have been arranged by the National Treasury, must be encouraged.

12. CONFERENCES, MEETINGS & STUDY TOURS

12.1 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.

12.2 The benchmark costs may not exceed an amount determined by National Treasury.

12.3 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:

- (i) The officials role and responsibilities and the anticipated benefits of the conference or event;
- (ii) Whether the conference or event will address the relevant concerns of the municipality;
- (iii) the availability of funds to meet expenses related to the conference or event.

12.4 The amount referred to in 12.2 above excludes costs related to travel, accommodation and related expenses, but includes:

- (i) Conference or event registration expenses; and
- (ii) Any other expense incurred in relation to the conference or event.

12.5 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.

12.6 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

12.7 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.

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

EMPLOYMENT RELATED COSTS

13. STAFF ESTABLISHMENTS

A staff establishment for the municipality must be approved to enable the municipality to perform its functions and exercise its powers in an economical, effective, efficient and accountable way.

14. OVERTIME

14.1 Overtime be limited to minimum hours to resolve the issue

14.2 Overtime should be worked by the minimum and lowest ranked officials to resolve the issue.

14.3 Planned overtime should be approved before overtime is worked and unplanned/emergency overtime should be approved the first working day after the overtime has been worked.

14.4 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).

14.5 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.

14.6 The core working hours of the employees to be changed to a shift system, where applicable and practical possible, to obviate the need for overtime.

14.7 The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.

CAPITAL EXPENDITURE

15. COMPUTER / ELECTRONIC EQUIPMENT

15.1 New equipment should only be purchased after a needs analyses was done.

15.2 Equipment should be share where practically possible to ensure efficiency.

16. VEHICLES

16.1 The procurement of vehicles must be undertaken using the national government transversal mechanism, where it is in the best interest of the municipality.

16.2 Pool vehicles should be encouraged to ensure that vehicles are used optimally.

16.3 A vehicle tracking system should be utilised to monitor usage/performance of vehicles in order to curb abuse of municipal vehicles and/or excessive petrol consumption.

OTHER

17. OTHER RELATED EXPENDITURE ITEMS

17.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.

17.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

17.3 Effective debt collection measures with minimal costs for both the debtor as well as the municipality should be encourage - like payment of an commission based on the amount recovered by the debt collector.

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

18. PROMOTION OF COST CONTAINMENT MEASURES

The identification and successful implementation of cost containment measures should be encouraged and highlighted.

19. DISCLOSURES OF COST CONTAINMENT MEASURES

Cost containment measures applied by the municipality must be included in the annual report.

20. IMPLEMENTATION & REVIEW PROCESS

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.

21. SHORT TITLE

This policy shall be called the Cost Containment Policy of Overberg District Municipality