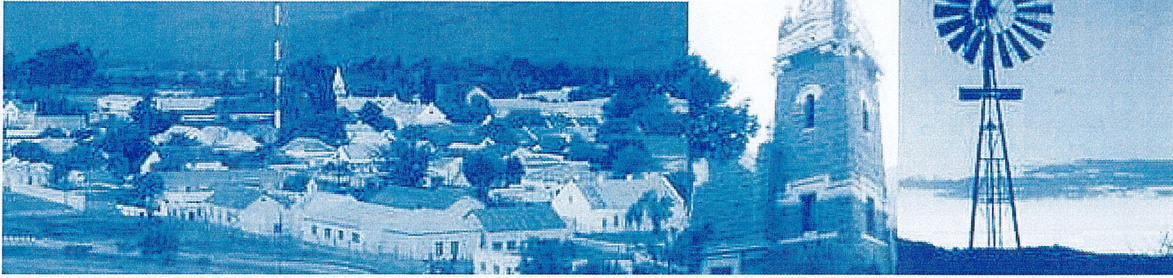


# LAINGSBURG



## COST CONTAINMENT MEASURES POLICY

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<https://www.laingsburg.gov.za>

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## DEFINITIONS

In these Regulations, 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);
“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 or municipal entity 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 these regulations;
“Credit card”	Means a card issued by a financial service provider, creates a revolving account and grants a line of credit to the cardholder.
“Regulations”	Means the Cost Containment Regulations as promulgated in government gazette no. 41445.
“Municipality”	Means the Local Laingsburg Municipality
“Accounting Officer”	In relation to a Municipality means the Municipal Manager as described in Section 60 of the Local Government: Municipal Finance Management Act, no 56 of 2003 as well as Section 82 of the Municipal Structures Act, no 117 of 1998.
“MPAC”	Means the Municipal Public Accounts Committee



## **1. OBJECTIVE OF POLICY**

The objective of this policy, in line with section 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act, as well the regulations, is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

## **2. APPLICATION OF POLICY**

This policy applies to the municipality and must be read together with the Supply Chain Management Policy, the Travel and Subsistence policy and any other policy applicable to the implementation of cost containment of the municipality.

## **3. AMENDMENT OF POLICY**

- 3.1. This policy must be reviewed at least annually;
- 3.2. This policy may be amended when the Accounting Officer considers it necessary.
- 3.3. Proposed amendments to this Policy must be submitted to the Council by the Accounting Officer in writing.
- 3.4. Council may at its own discretion take special council resolutions that may override the measures of this policy, should the financial position of the municipality warrant such measures. The special resolution must be supported by the relevant financial data and information of the municipality.

## **4. USE OF CONSULTANTS**

- 4.1. 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.
- 4.2. The Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates –
  - 4.2.1. 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;
  - 4.2.2. set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration;
  - 4.2.3. As prescribed by the body regulating the profession of the consultant.
- 4.3. 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 sub -section (5.2).
- 4.4. When negotiating cost- effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market- determined rates.



- 4.5. When consultants are appointed, an accounting officer must –
- 4.5.1. appoint consultants on a time and cost basis with specific start and end dates;
  - 4.5.2. where practical, appoint consultants on an output- specified basis, subject to clear specification of deliverables and associated remuneration;
  - 4.5.3. ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
  - 4.5.4. develop consultancy reduction plans; and
  - 4.5.5. Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations and the municipality's Supply Chain Management policy.
- 4.6. All contracts with consultants must include fee retention or penalty clauses for poor performance.
- 4.7. A municipality must ensure that the specifications and performance, are used as a monitoring tool for the work to be undertaken and is appropriately recorded and monitored.
- 4.8. The travel and subsistence costs of consultants must be in accordance with the travel policy issued by the National Department of Transport, as updated from time to time.
- 4.9. The contract price must specify all travel and subsistence cost and, if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the abovementioned travel policy of the National Department of Transport.

## **5. VEHICLES USED FOR POLITICAL OFFICE-BEARERS**

- 5.1. The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed R 650 000 or 70% (VAT inclusive) of the total annual remuneration package for 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.
- 5.2. The procurement of vehicles must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 5.3. Before deciding on another procurement process as contemplated in sub-section 6.2, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- 5.3.1. Status of current vehicles;

- 5.3.2. 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-section 6.1;
  - 5.3.3. Extent of service delivery backlogs;
  - 5.3.4. Terrain for effective usage of vehicles; and
  - 5.3.5. Any other policy of council.
- 5.4. If the rental referred to in sub-section 6.3.2 is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 5.5. Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.
- 5.6. Notwithstanding sub-section 6.5, a municipality may replace vehicles for official use by public office bearers before completion of one hundred and twenty thousand kilometres only in instances where vehicle experience serious mechanical problems and is in a poor condition, and subject to obtaining a detailed official mechanical report by the vehicle manufacturer or approved dealer.
- 5.7. An accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

## **6. TRAVEL AND SUBSISTENCE**

- 6.1. An accounting officer –
- 6.1.1. May only approve purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
  - 6.1.2. May only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.
- 6.2. In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where flying time is five hours or less and business class tickets exceeding five hours.
- 6.3. Notwithstanding sub-sections 7.1 and 7.2, an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for officials or a political office bearer with a disability or medically certified condition.
- 6.4. International travel to meetings or events can only be attended if they are critical and approved by the Municipal Council. The number of officials or political bearers attending such meetings or events are limited to those officials or political bearers directly involved in the subject matter related to the meeting or event.



- 6.5. An accounting officer may approve accommodation costs that exceed an amount as determined from time to time by the National Treasury only –
  - 6.5.1. During peak holiday periods; or
  - 6.5.2. 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 particular geographical area.
  
- 6.6. An official or political office bearer of a municipality must –
  - 6.6.1. Utilise the municipal fleet, where viable, before incurring costs to hire vehicles;
  - 6.6.2. Make use of available public transport or a shuttle service if the cost of such a service is lower than –
    - 6.6.2.1. The cost of hiring a vehicle;
    - 6.6.2.2. The cost of kilometres claimable by the official or political office bearer; and
    - 6.6.2.3. The cost of parking.
  - 6.6.3. Not hire vehicles from a category higher than Group B or an equivalent class; and
  - 6.6.4. 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 officer before hiring the vehicle.
  
- 6.7. The Municipality must utilise the negotiated rates for flights and accommodation, communicated by the National Treasury, from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

## **7. DOMESTIC ACCOMMODATION**

- 7.1. The accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals, as communicated by the National Treasury through a notice.
- 7.2. The accounting officer must ensure that overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

## **8. CREDIT CARDS**

- 8.1. The accounting 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.
- 8.2. Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials or public office bearers must use their personal credit cards or cash or arrangements made by the municipality in accordance with the Travel and Subsistence Policy, Out of Pocket Expenses Policy, Petty Cash Policy and any other relevant policy or process as determined by the accounting officer.



## **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 hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceeds five hours.
- 9.3. Entertainment allowances of officials may not exceed 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 functions, team building exercises, year-end functions, sporting events, budget vote dinners and other functions that have a social element are not financed from the municipality's budget or by any suppliers or sponsors.
- 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.
- 9.7. The accounting officer may incur expenditure to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health, not exceeding the limits for petty cash usage.

## **10. COMMUNICATION**

- 10.1. The Municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2. Allowances to officials for private calls and data costs are limited to an amount determined by the Municipal Council.
- 10.3. Allowances to public office bearers for private calls and data costs are 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.
- 10.4. Newspaper and other related publication for the use of officials must only be used if legislation requires it for the purposes of compliance where unavailable in electronic format, in any other case it must be discontinued on expiry of existing contracts or supply of orders.

- 10.5. The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **11. CONFERENCES, MEETINGS AND STUDY TOURS**

- 11.1. The accounting officer must establish policies and procedures to manage application by officials to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside the borders of South Africa taking into account their merits and benefits, costs and available alternatives.
- 11.2. 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.
- 11.3. Such benchmark costs may not exceed an amount as determined by the National Treasury through a notice.
- 11.4. 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 as the case may be, must take the following into account –
- 11.4.1. the official's or political office bearer role and responsibilities and the anticipated benefits of the conference or event;
  - 11.4.2. whether the conference or event addresses relevant concerns of the institution;
  - 11.4.3. the appropriate number of officials or political office bearers, not exceeding three attending the conference or event; and
  - 11.4.4. availability of funds to meet expenses related to the conference or event.
- 11.5. The amount referred to in sub-section 12.3 above excludes costs related to travel, accommodation and related expenses, but includes –
- 11.5.1. conference or event registration expenses; and
  - 11.5.2. any other expense incurred in relation to the conference or event.
- 11.6. 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.
- 11.7. The accounting officer must ensure that meetings and planning sessions that entail use of municipal funds are, as far as may be practically possible, held in-house.
- 11.8. 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.



- 11.9. 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 sub-section 12.4,
- 11.10. 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.
- 11.11. The number of employees travelling to conference or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the accounting officer, having due regard to the cost containment measures.

## **12. OFFICE FURNISHING**

- 12.1. Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.
- 12.2. Existing facilities and equipment must be used when new persons are elected or appointed and new equipment only purchased if assets has reached its life cycle.
- 12.3. Offices should not be refurbished unless a signed report by a professional engineer recommends it for safety reasons.

## **13. OTHER RELATED EXPENDITURE ITEMS**

- 13.1. All commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have been negotiated.
- 13.2. 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 periods or to fund any activities of any political party at any time.
- 13.3. Expenditure on tools 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.
- 13.4. The municipality may only use the services of the South African Police Service to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.
- 13.5. The municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.



- 13.6. The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.
- 13.7. Printing of documents should be carefully considered be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.

## **14. ENFORCEMENT PROCEDURES**

Failure to implement or comply with these Regulations 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 Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

## **15. DISCLOSURES OF COST CONTAINMENT MEASURES**


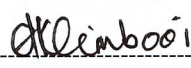
- 15.1. The disclosure of cost containment measures applied by the municipality must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.
- 15.2. The measures implemented and aggregate amounts saved per quarter, together with the regular reports 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.
- 15.3. The reports referred to in sub-section 16.2 must be copied to the National Treasury and the relevant provincial treasury within seven (7) calendar days after the report is submitted to municipal council.

## **16. SHORT TITLE COMMENCEMENT**

This policy is called the Laingsburg Municipality Cost Containment Policy and take effect on 01 April 2024.

**DOCUMENT CONTROL**



VERSION AND DOCUMENT CONTROL			
<b>POLICY NAME:</b>	Cost Containment Measures Policy		
<b>POLICY OWNER:</b>	Financial Department / SCM		
<b>RELATED POLICIES:</b>	SCM Policy		
<b>REVIEW:</b>	When needed	<b>Budget Policy</b>	No
<b>POLICY EFFECTIVE DATE:</b>	01 April 2024	<b>Budget Policy Nr</b>	N/A
Version	Date	Adoption	Revision
1	27 June 2019	1 <sup>st</sup> Adoption	
2	13 March 2022		1 <sup>st</sup> Revision
3	22 March 2023		2 <sup>nd</sup> Revision
4	21 March 2024		3 <sup>rd</sup> Revision
 -----		 -----	
Municipal Manager J. Booyen		Executive Mayor A. Kleinbooi	
Date:		Date:	



## **ANNEXURE A – USE OF CONSULTANTS REDUCTION STRATEGY**

In addition to the definitions of the policy:

**Consultant** - An external person or organization that provides a service to the municipality in those areas, where the municipality either lacks the required specialized skills or capacity.

### **Lack of capacity -**

- Insufficient physical resources within the Municipality
- Relevant knowledge, expertise and - experience that may not exist within the Municipality.

The objective of Annexure A is to inform municipal officials of the policy on the appointment and use of consultants to ensure a uniform procedure as prescribed by legislation.

### **Consultants and Contractual Contents**

- If the assignment includes an important component for training or transfer of knowledge and skills, the terms of reference should indicate the objectives, nature, scope and goals of the training program, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for training program should be included in the consultant's contract and the budget for the assignment.
- Managers may recommend the appointment of consultants to render specific services, should they be of the opinion that the Municipality lacks the required skills or necessary capacity, and those funds are available within their existing budgets.
- The relevant Manager will be responsible to prepare the "Terms of Reference" for submission to the Municipal Specification Committee to recommend to the Accounting Officer for the advertisement to request proposals. The relevant Manager should also ensure that an exact "specification" of the work to be accomplished (proposed outcome) accompanies the tender and is used as a monitoring tool, is appropriately recorded and monitored.
- The municipality will 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. This Gap Analysis Report (Attached as Annexure B) is to be used when procuring Consultancy Services through the Supply Chain Management Process. The report should be submitted together with the requisition to the Supply Chain Management Unit, prior to commencement of the supply chain process.
- With consultants appointed on an 'if and when needed' basis, a GAP analysis should be completed by the relevant manager requesting support and submitted to SCM for record-keeping purposes.



**Consultants are engaged principally for the following reasons:**

- a) To provide specialized services for limited periods without any obligation of permanent employment;
- b) To benefit from superior knowledge, transfer of skills and upgrading of a knowledge base while executing an assignment;
- c) To provide independent advice on the most suitable approaches, methodologies, and solutions of projects.

**The procedures outlined herein apply to all contracts for consulting services in procuring consulting services; the accounting officer should satisfy himself/herself that:**

- a) The procedures to be used will result in the selection of consultants who have the necessary professional qualifications;
- b) The selected consultants will carry out the assignment in accordance with the agreed schedule; and
- c) The scope of the services is consistent with the needs of the project.

**The four major considerations guiding the Accounting Officer on the selection includes:**

- a) The need for high-quality services;
- b) The need for economy efficiency;
- c) The need to give qualified consultants an opportunity to compete in providing the services; and
- d) The importance of transparency in the selection process.

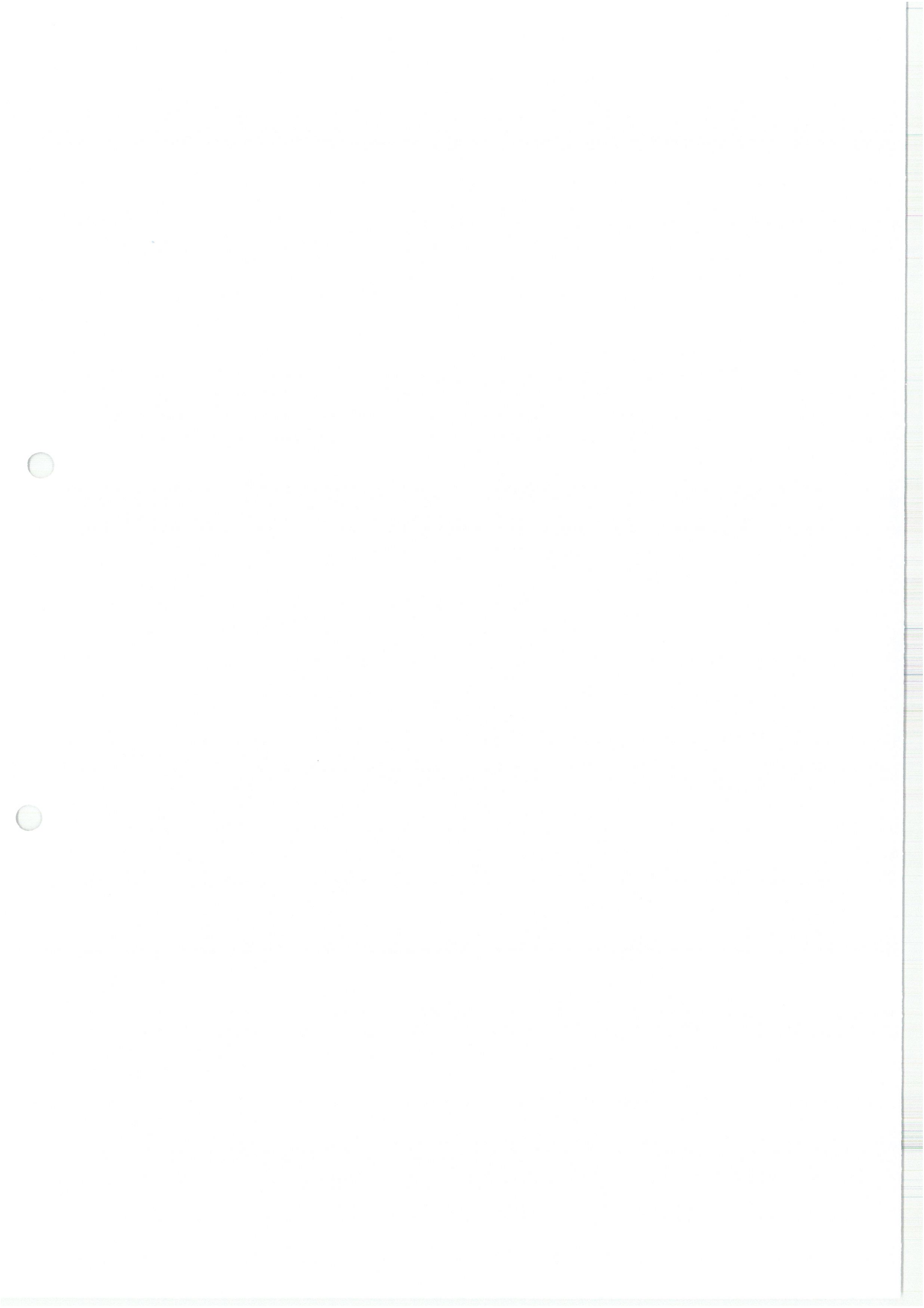
**The following are methods most generally used for the appointment of consultants:**

- a) Quality and cost-based selection
- b) Quality based selection
- c) Selection under a fixed budget
- d) Least cost selection
- e) Single source selection

The directorate shall consider the appointment of consultants only when the necessary skills and/or resources to perform a project/duty/study are not available and the department cannot be reasonably expected either to train or recruit people in the time available.

If the assignment includes an important component for training or transfer of knowledge and skills, that must form part of the Terms of Reference and should indicate the objectives, nature, scope and goals of the training programme, including details of trainers and trainees, skills to be transferred, time frames and monitoring and evaluation arrangements. The cost for the training programme shall be included in the consultant's contract and in the budget for the assignment.

<b>CHARACTERISTICS OF ASSIGNMENT</b>	<b>METHOD TO BE SELECTED</b>
An assignment that is not complex or specialised.	Use Quality and Cost Based Selection
A complex or high specialised assignment for which consultants are expected to demonstrate innovation in their proposals (e.g. financial sector reforms).	Use Quality Based Selection
An assignment that has a high downstream impact and requires the best available experts (e.g. management studies of large government agencies).	Use Quality Based Selection
An assignment that could be carried out in substantially different ways, hence proposals will not be comparable (e.g. sector and policy studies in which the value of the services depends on the quality of the analysis).	Use Quality Based Selection
A simple assignment, which is precisely defined and the budget fixed.	Use selection under a fixed budget, but evaluate technical proposals first as in Quality Based Selection
A standard or routine assignment (e.g. an audit, engineering design of non-complex works)	Use Least-Cost Selection
A very small assignment which does not justify the preparation and evaluation of competitive proposals	Selection based on consultants' qualifications, can be obtained from the list of panel.
An assignment where only one firm is qualified or has experience of exceptional worth for the assignment.	Use Single Source Selection
A task that represents a natural continuation of previous work carried out by the firm.	Use Single Source Selection
Any other situation	Use Quality and Cost Based Selection, either by requesting a BID or PROPOSAL.





# ANNEXURE B – USE OF CONSULTANTS REDUCTION & GAP ANALYSIS

Complete GAP Analysis Spreadsheet as an extension of this policy.

Approval to be signed by the duly delegated official.

RECOMMENDATION BY RELEVANT HEAD OF DEPARTMENT / MANAGER		
<b>Description of Service and skills required:</b>	Specialised civil engineering services - Add as much details as possible	Specialised - Technical / Engineering
<b>Municipal Skills / Transfer Potential</b>	Very Low - Once-off specialized	GAP Partial skills transfer possible
<b>Name:</b>	John K	Signature:
<b>Date:</b>	21-Mar-24	
<b>Comments:</b>		