



**DRAFT**

**COST CONTAINMENT POLICY**

**2026/2027**

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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”* means the measures implemented to curtail spending in terms of this policy.

*“municipality”* means Ray Nkonyeni Local Municipality

2. **PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Ray Nkonyeni 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. **SCOPE OF THE POLICY**

This policy will apply to all:

4.1 Councilors'; and

4.2 Municipal employees.

5. **LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the -

5.1 The Municipal Finance Management Act, Circulars

5.2 Municipal Cost Containment Regulations, 2018; and

5.3 Travelling and subsistence policy.

5.4

5.5 Ray Nkonyeni Municipality Supply Chain Management Policy

6. **POLICY PRINCIPLES**

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

- (i) Use of consultants
- (ii) Vehicles used for political office-bearers
- (iii) Travel and subsistence
- (iv) Domestic accommodation
- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Any other related expenditure items

7. **USE OF CONSULTANTS**

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

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 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;
- (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 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.

7.4 Consultancy reduction plans should be developed.

- 7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.6 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.
- 7.7 Monitoring performance must ensure transfer of skills through workshops or on the job training

## 8. **VEHICLES USED 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 (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is greater.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism unless it may be procured at a lower cost through other procurement mechanisms
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as in 8.2, the chief financial officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
  - (ii) Affordability
  - (iii) Extent of service delivery
  - (iv) Terrain for effective usage of vehicle
  - (v) Any other policy of council
- 8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometers.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometers only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

## 9. **TRAVEL & SUBSISTENCE**

- 9.1 An accounting officer:

- (i) May approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and
- (ii) For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for accounting officers, and persons reporting directly to accounting officers.
- (iii) In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

Notwithstanding 9.1, an accounting officer may approve the purchase business class tickets for officials with disabilities or a medically certified condition.

9.2 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.

9.3 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.

7(6) An official or a political office bearer of a municipality or municipal entity must-  
 (a) utilise the municipal fleet, where viable, before incurring costs to hire vehicles;  
 (b) make use of available public transport or a 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.

9.4 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other available cheaper flight or accommodation that is available.

## 10. **DOMESTIC ACCOMMODATION**

- 10.1 An accounting officer must ensure to only book accommodation where the return trip exceeds 500 km and costs incurred for domestic accommodation and meals are in accordance with the maximum allowable 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 No out of town or overnight allowance to be paid for business trips outside the municipal jurisdiction

## 11. **CREDIT 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 political office-bearer including members of the board of directors of municipal entities.

11.2 Where officials or political 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.

## 12. **SPONSORSHIPS, EVENTS & CATERING**

12.1 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.

12.2 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

12.3 Entertainment allowances are not permitted .

12.4 Expenses may not be incurred on alcoholic beverages.

12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions must not be financed from the municipal budget or by any supplier or sponsor such as but not limited to:

- staff year-end functions
- staff wellness functions
- attendance of sporting events by municipal officials

12.6 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 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 limits of the petty cash usage as per the petty cash policy of 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 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.

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

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.

13.5 Provision of diaries be limited to secretaries and electronic diaries be kept by other officials and councilors PA's.

13.6 Provision of calendars be limited to reasonable quantities

### 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 as determined from time to time by the National Treasury through a notice.

14.3 *An Accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, when considering applications from officials or political office bearer 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 appropriate number of officials to attend the conference or event, not exceeding three officials; and
- (iv) 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:

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

14.5 When considering the cost for conferences or events the following items may 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 one (1) per annum with a maximum of two (2) delegates.

14.7 The accounting officer of a municipality or municipal entity must ensure that Meetings and planning sessions that entail 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 conference, event or study tour, in advance.

## 15. **OTHER RELATED EXPENDITURE ITEMS**

15.1 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.

15.2 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.

16. **ENFORCEMENT PROCEDURES**

16.1 Failure to implement or comply with this policy may result in any official of the 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 MFMA.

17. **DISCLOSURES OF COST 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 relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

18. **FINANCIAL IMPROVEMENT PLAN**

18.1 The municipality must develop a financial improvement plan so as to minimize /contain cost and improve cost coverage.

18.2 Financial Improvement Plan must be reviewed annually.

18.3 Financial Improvement Plan implementation must be monitored and reported on a monthly basis

19. **IMPLEMENTATION & REVIEW PROCESS**

19.1 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.

20. **CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES**

20.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.

20.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.

20.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.

20.4 After completion of a full investigation, the disciplinary board must compile a report on the investigations and submit a report to the accounting officer on:

- Findings and recommendations; and/or
- Whether disciplinary steps should be taken against the alleged transgressor.

20.5 The accounting officer must table the report with recommendations to the municipal council.

20.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

21. **SHORT TITLE**

20.1 This policy shall be called the Cost Containment Policy of the Ray Nkonyeni Local Municipality.

22 **EFFECTIVE DATE OF IMPLEMENTATION OF POLICY**

22.1 This policy shall be implemented from the date of adoption of the policy by council.