



**CEDERBERG MUNICIPALITY**  
**DRAFT COST CONTAINMENT POLICY**

Cost containment policy in terms of the Municipal Cost  
Containment Regulations

With effective date 1 January 2021

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## 1. PREAMBLE

This cost containment policy give effect to regulation 4 of the Cost Containment Regulations gazetted by National Treasury on 7 June 2019 in Gazette Number 42514 in terms of section 168(1) of the Local Government Municipal Finance Management Act, 2003 (Act no 56 of 2003)(MFMA).

The objective of this policy and regulations is to ensure that **resources** of the municipality and or municipal entity are used **effectively, efficiently and economically** by implementing cost containment measures as envisaged in sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the MFMA.

This policy and associated regulations apply to all officials and political office bearers in the municipality and or municipal entity. Due to the mandatory tone in the regulations many of the paragraphs contained in the regulations have been duplicated as is as non-compliance may lead to financial misconduct as envisaged in regulation 14 and paragraph 11 of this policy.

## 2. USE OF CONSULTANTS

2.1. The municipality considered regulation 5 read with MFMA circular 97 dated 31 July 2019 and took note that the use of consultants is not prohibited, but require municipalities and or municipal entities before procuring the services of a consultant to assess the need thereof against the available internal capacity for the specific services required. The municipality considered its current internal capacity and an individual motivation for the demand identified by user departments must be tabled to the accounting officer for consideration on a case-by-case basis. The remuneration of consultants will be considered against the remuneration framework as envisaged in the regularly reviewed guidance documents determined by DPSA and SAICA/AGSA. These documents are available from the following sites and will be taken into account:

- a) Guide on hourly fee rates for consultants issued by the Department of Public Service and Administration:

[www.dpsa.gov.za/dpsa2g/consultant\\_fees.asp](http://www.dpsa.gov.za/dpsa2g/consultant_fees.asp)

or

- b) Guidelines on fees for audits undertaken on behalf of the Auditor-General of South Africa:

[https://www.saica.co.za/portals/0/documents/Circular\\_01\\_2018\\_Guideline\\_on\\_AGSA\\_Fees.pdf](https://www.saica.co.za/portals/0/documents/Circular_01_2018_Guideline_on_AGSA_Fees.pdf) (as example and it is reviewed annually)

or

- c) As prescribed by the body regulating the profession of the consultant.

2.2. The monitoring of performance against contracts will be governed by service level agreements and monthly reporting by consultants and contract managers. The contract manager of the applicable user department is responsible to report on the effectiveness of contract management to the accounting officer.

2.3. The transferring of skills by consultants will take place through workshops and or on-the-job-training initiatives as per mutual agreement with the applicable consultant. An attendance register signed by participants will constitute the minimum evidence of these skills transfer interventions.

Consultant appointment will be considered under the following additional consideration:

2.4. 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 for the consultant or professional.

2.5. The accounting officer when negotiating cost-efficient consultancy rates for international consultants may take into account the relevant international and market-determined rates.

2.6. Consultant procurement must be in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply

chain management policy and must include a fee retention or penalty clause for poor performance. When consultants are appointed, the accounting officer must:

- (a) appoint consultants on a time and cost basis with specific start and end dates;
- (b) where practical, appoint consultants on an output- specified basis, subject to specific measurable objectives and associated remuneration;
- (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
- (d) ensure the transfer of skills by consultants to the relevant officials of a municipality or municipal entity;
- (e) undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality or municipal entity's supply chain management policy; and
- (f) Develop consultancy reduction plans to reduce the reliance on consultants.

2.7. The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price such 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.

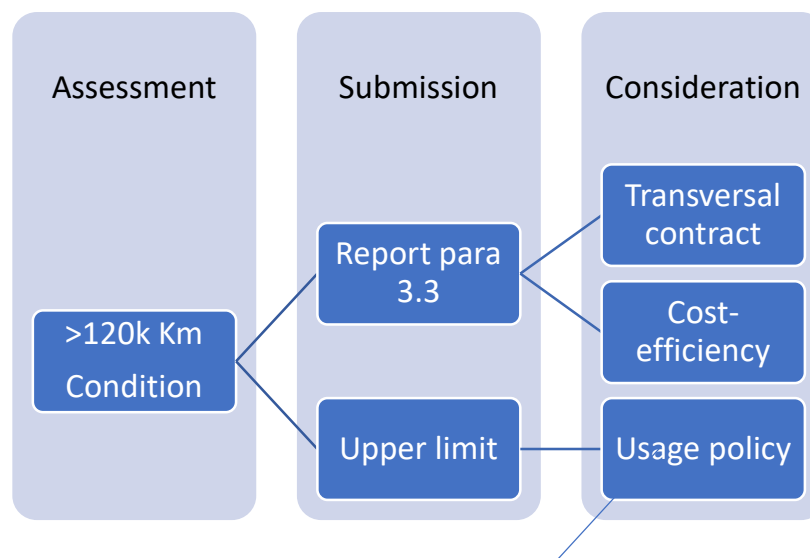
2.8. The municipality and municipal entity will give effect to this policy and the regulations by including the compliance expectations in the scope of the tender that will bring about an acceptance of the requirements as set out above.

### **3. VEHICLE USED FOR POLITICAL OFFICE-BEARERS**

An official vehicle for the use of political office-bearers is permissible under the current practices and procedures adopted by the municipality and or municipal entity and will require adherence to any policy on the use of such a vehicle.

The procurement of a vehicle for political office-bearers is restricted to the "Mayoral vehicle" and in view of the cost containment measures as envisaged in regulation 6 this policy sets forth the following principles:

- 3.1. Prior to the replacement of the official vehicle the chief financial officer (CFO) will report on an assessment of the condition of the vehicle, the kilometres used on record, and any mechanical problems supported by a detailed mechanical report by the vehicle manufacturer or approved dealer.
  
- 3.2. Council will consider the report by the CFO and assess the criteria envisaged in regulation 6 prior to approving the replacement of the vehicle. In the event that the vehicle is still suitable for use in terms of distance (less than 120 000 km) and or mechanical functionality the replacement of the vehicle will be delayed until the criteria for replacement become applicable.
  
- 3.3 In the event that the official vehicle become replaceable (kilometres exceeding 120 000 or due to conditional assessment) subject to the procurement undertaken in terms of the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms, the accounting officer or delegated official must provide the council with information relating to the following criteria:
  - a) status of current vehicle(s);
  - 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 the threshold as defined in regulation 6(1);
  - c) extent of service delivery backlogs;
  - d) terrain for effective usage of the vehicle, and
  - e) any other policy of council.



3.4. The replacement of an official vehicle may only be considered when the criteria set above become applicable, subject to a decision by Council in accordance with this policy read with the regulations.

#### 4. TRAVEL AND SUBSISTENCE

The accounting officer and or Mayor as it relates to the accounting officer will implement the cost containment regulations by applying the following criteria when making decisions, unless motivated and documented with approval by Council to the contrary in accordance with the regulations:

##### 4.1. International travel

- a) International travel to meetings or events that is considered critical must be limited to those officials and or political office-bearers directly involved in the subject matter relating to such meetings and events. A motivation by officials and or the accounting officer will be considered for approval subject to:
  - i. **Availability of funds**
  - ii. Adhering to the applicable policy of council
  - iii. Agreement to present a comprehensive report on attendance of the event
- b) In size (number) of the delegation to attend the meeting and or event must be motivated when more than 1 person is considered to attend an international event and the cost-benefit motivation should be signed off by the accounting officer prior to confirming the attendees.

##### 4.2. Flight costs

The accounting officer –

- a) may approve the purchase of economy class tickets for all officials or political office bearers for all flights irrespective of hours;

##### 4.3. Vehicle transport

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 (subject to safety considerations of each employee) 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;
- 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; and
- e) The municipality must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other cheaper flight and accommodation.

A comparison of the negotiated rates with quotations obtained in accordance with the SCM policy from an appropriate service provider must be submitted for approval prior to booking any flights and accommodation in accordance with the submission.

#### 4.4. Accommodation cost

- a) The accounting officer, or the Mayor in the case of the accounting officer, may not approve accommodation costs that exceed an amount as determined from time to time by the National Treasury through a notice:
  - i. The municipality must utilise the negotiated rates for accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper accommodation.

#### 4.5. Domestic accommodation

- a) Overnight accommodation may only be booked where the return trip exceeds 500 kilometres or the accounting officer have considered a motivation on the



risk associated with extended daily travel and the conditions of the road and other incidents.

## **5. CREDIT CARDS**

- 5.1. The accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality or a municipal entity is issued to any official or political office bearer, including members of the board of directors of municipal entities.
- 5.2. Where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by the municipality or municipal entity, and request reimbursement in accordance with the written approved policy and processes.

## **6. SPONSORSHIPS, EVENTS AND CATERING**

- 6.1. The municipality or municipal entity may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality or municipal entity, unless the prior written approval of the accounting officer is obtained.
- 6.2. The accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- 6.3. No Entertainment allowances to officials are allowed.
- 6.4. The municipality or municipal entity may not incur expenses on alcoholic beverages.
- 6.5. The accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality budget or by any suppliers or sponsors.
- 6.6. The municipality or municipal entity 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.

- 6.7. The accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality or municipal entity for ten or more years or retire on grounds of ill health.

## **7. COMMUNICATION**

- 7.1. The municipality or municipal entity may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 7.2. The accounting officer must ensure that allowances to officials for private calls and data costs are limited to an amount of R900.
- 7.3. Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format. A motivation by the professional must be submitted to the accounting officer for approval.
- 7.4. The municipality or municipal entity may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

## **8. ATTENDANCE OF CONFERENCES, SEMINARS AND WORKSHOPS**

- 8.1. The accounting officer must establish policies and procedures to manage applications 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.
- 8.2. 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 -
- a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;

- b) whether the conference or event addresses relevant concerns of the institution;
  - c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
  - d) the availability of funds to meet expenses related to the conference or event.
- 8.3. 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.
- 8.4. The benchmark costs referred to above may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 8.5. The amount referred to in subparagraph (4) above excludes costs related to travel, accommodation and related expenses, but includes –
- (a) conference or event registration expenses; and
  - (b) Any other expense incurred in relation to the conference or event.
- 8.6. 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.
- 8.7. The accounting officer of a municipality or municipal entity must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in-house.
- 8.8. Municipal or provincial office facilities must be utilised for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
- 8.9. 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 subparagraph 8.2 above.

8.10. The municipality or municipal entity must, where applicable, take advantage of early registration discounts by granting the required approvals to attend conferences, events or study tours, in advance.

## **9. OTHER RELATED EXPENDITURE ITEMS**

9.1. 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.

9.2. 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.

9.3. 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.

9.4. The municipality or municipal entity must avoid expenditure on elaborate and expensive office furniture.

9.5. The municipality or municipal entity 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.

9.6. The municipality or municipal entity 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.**

9.7. The municipality or municipal entity must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

## **10. GENERAL MEASURES TO BE IMPLEMENTED**

The cost containment policy consists of mandatory compliance expectations as defined by the regulations. Over and above those categories listed above the municipality commits to use resources **effectively, efficiently and economically**.

Our approach to this expectation includes:

- a) An analysis of our expenditure classification to identify opportunities for cost containment measures that can be implemented (i.e. Telephone landlines, uniforms and official clothing, opening of official events and projects etc.) The analysis of expenditure will be submitted quarterly to the accounting officer for consideration and identifying of opportunities.
- b) Enhancing the communication strategy of the municipality by improving the monitoring of land line telephone calls and recovery of private calls made from municipal land lines.
- c) Assessing the most cost-efficient options available for opening and recognition of major events, projects and inaugurations.

## **11. ENFORCEMENT PROCEDURES**

Failure to implement this policy read with the regulations may result in any official of the municipality and or municipal entity, political office bearer or director of the board that authorised or incurred any expenditure contrary to the policy and or regulation 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.

## **12. DISCLOSURE OF COST CONTAINMENT MEASURES**

12.1. The disclosure of cost containment measures applied by the municipality and municipal entity must be included in the municipal in-year budget reports and annual costs savings disclosed in the annual report.

12.2. The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and 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.

12.3. The reports referred to in sub -regulation (2) must be copied to the National Treasury and the relevant provincial authority.

### **13. COMMENCEMENT**

The regulations came into effect 1 July 2019 and this policy was adopted by council as set out on the cover page and will effectively come into effect on that date. This policy will be reviewed annually.

### **14. APPROVAL AND REVIEW**

This written policy has been reviewed by the accounting officer to give effect to the regulations, submitted for approval by the municipal council and will be reviewed annually to consider any adjustments to be made.

The version control is established through referencing in the footer of the document and the recording of the date of review.

Signed by Accounting Officer:

### **15. DEFINITIONS AND ABBREVIATIONS**

<b>Abbreviation</b>	<b>Description</b>
CFO	Chief Financial Officer
MFMA	Municipal Finance Management Act