



JB MARKS LOCAL MUNICIPALITY

Draft Cost Containment Measures Policy

Table of Contents

1. Definitions
2. Purpose
3. Objectives of the policy
4. Scope of the policy
5. Legislative framework
6. Policy principles
7. Use of consultants
8. Vehicles used for political office-bearers
9. Travel & subsistence
10. Domestic accommodation
11. Credit cards
12. Sponsorships, events & catering
13. Communication
14. Conferences, meetings & study tours
15. Other related expenditure items
16. Enforcement procedures
17. Disclosures of cost containment measures
18. Implementation & review process
19. Short title

1. Definitions

In this Policy, 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 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.

"Credit Card" means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder.

“Municipality” means JB Marks Local Municipality

“Political office Bearers” means, in terms of this policy, all councilors serving on the council of JB Marks Local Municipality

2. Purpose

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

3. Objectives of the policy

The object of this policy is to ensure that the resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

4. Scope of the policy

This policy will apply to all Councilors, members of Oversight Committees and Municipal employees.

5. Legislative Framework

This policy must be read in conjunction with other policies of Council applicable to matters raised in this policy. In the event that other policies have different limits/criteria than this policy in relation to matters covered in both, the stricter limits/criteria will apply.

6. Policy Principles

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

- (a) Use of consultants
- (b) Vehicles used for political office-bearers

- (c) Travel and subsistence
- (d) Domestic accommodation
- (e) Credit cards
- (f) Sponsorships, events and catering
- (g) Communication
- (h) Conferences, meetings and study tours
- (i) Any other related expenditure items

7. Use of consultants

- 7.1 Consultants may only be appointed after an assessment of the needs and requirements confirms that GRDM does not have the requisite skills or resources in its full -time employ to perform the function.
- 7.2 The accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates -
 - (a) 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;
 - (b) Set out in the "Guide on Hourly Fee Rates for Consultants ", issued by the Department of Public Service and Administration; or
 - (c) As prescribed by the body regulating the profession of the consultant.
- 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 par 7.2 above.
- 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 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 the municipality;

(e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's supply chain management policy; and

(f) Develop consultancy reduction plans to reduce the reliance on consultants.

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

7.7 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.

7.8 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.

7.9 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 costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

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% (VAT inclusive) of the total annual remuneration package for GRDM's grade, 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.

8.2 The procurement of vehicles in par. 8.1 must be undertaken using the national government transversal mechanism, unless it may be procured at a lower cost through other procurement mechanisms.

8.3 Before deciding on another procurement process as contemplated in 8.2, the accounting officer must provide the council with information relating to the following criteria that must be considered:

(a) Status of current vehicles;

(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 that contemplated in par. 8.1;

(c) Extent of service delivery backlogs;

(d) Terrain for effective usage of vehicle; and

(e) Any other policy of council

8.4 If the rental referred to in par. 8.3 is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.

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 par. 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.

8.7 The accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. Travel & Subsistence

9.1 The accounting officer:

- (a) May approve the purchase of economy class tickets for officials or political officer bearer where the flying time for a flight is five (5) hours or less; and
- (b) 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.

9.2 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.

9.3 Notwithstanding par. 9.1-9.2, the accounting officer, or the mayor in the case of an accounting officer, may approve the purchase business class tickets for an official or a political office bearer with a disability or a medically certified condition.

9.4 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.

9.5 The 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.

9.6 An official or a political office bearer of the municipality must:

- (a) Utilize 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 provider 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.

9.7 The municipality 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.

10. Domestic Accommodation

10.1 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 National Treasury, from time to time.

10.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometers, unless deemed to be impractical and prior approval is obtained from the applicable Executive Manager (or Speaker in case of councilors) after providing proper written motivation to deviate from this stipulation. For example, in instances where attendance is required over a number of days, or there is a risk to the health of the official or councilor and cost vs benefit considerations can warrant such expenditure.

11. Credit Cards

11.1 The 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 their personal credit cards or cash or arrangements made by the municipality, and request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

12. Sponsorship, 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: Hosting of:

(a) meetings;

(b) conferences;

(c) workshops;

(d) courses;

(e) forums;

- (f) recruitment interviews;
- and (g) council proceedings

- 12.3 Entertainment allowances of qualifying officials may not exceed two thousand rand (R2 000) per person per financial year, unless otherwise approved by the accounting officer.
- 12.4 Expenses may not be incurred on alcoholic beverages, unless the municipality recovers the cost from the sale of such beverages.
- 12.5 Social events, team building exercises, year-end functions, sporting events and budget vote dinners may 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 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. Communications

- 13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 Officials will be held liable for the reimbursement of costs to JB Marks LM relating to private calls and data usage that exceed the cellphone and data packages assigned to officials, as applicable.
- 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.

14. Conferences, Meetings & Study Loans

- 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. (Note that “conference or event” referenced above excludes attendance of government forums, user groups and workshops.)
- 14.2 The benchmark costs may not exceed R2 500.
- 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:

- (a) The officials role and responsibilities and the anticipated benefits of the conference or event;
- (b) Whether the conference or event will address the relevant concerns of the municipality;
- (c) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
- (d) 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:

- (a) Conference or event registration expenses; and
- (b) Any other expense 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 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

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

14.8 An accounting officer must grant the approval for officials and in the case of political office-bearers, oversight committee members and the accounting officer, the mayor, as contemplated in par 14.3

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

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 determinations in 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 MFMA read with the Muncipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

17. Disclosure 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. 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.

19. Short title

This policy shall be called the Cost Containment Policy of the JB Marks LM.