



COST CONTAINMENT MEASURES POLICY

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1. Scope

This policy document seeks to implement National Treasury regulations as published in Gazette 42514 dated 7 June 2019, MFMA Circular 70 of December 2013 and MFMA Circular 82 of March 2016

This policy will be applicable to all FDDM Councillors and FDDM employees in line with the regulations as gazetted

2. Objective.

To implement the measures regarding cost containment consistently, fairly and in line with the pre scripts of the applicable acts, regulations and treasury circulars

3. Abbreviations

- CCM - Cost Containment Measures
- CCP – Cost Containment Policy
- Consultant – a Professional person, individual, partnership, corporation or company
- MFMA - Municipal Finance Management Act
- NT - National Treasury
- FDDM - Fezile Dabi District Municipality
- HR - Human Resources
- SALGBC - South African Local Government Bargaining Council
- Catering - expenditure incurred on refreshments
- Particular terrain - a specific geographic area with mountainous or gravel roads

4. Implementation

- 4.1 The policy will become immediately effective after Council approval
- 4.2 The policy needs to be reviewed annually to be aligned with any new regulations that has been promulgated, or any measures that will be identified to be implemented

5. Controls And Measures For Implementation

5.1 Use of Consultants (Sec 5)

- 5.1.1 National Treasury regulations as it relates to expenses for the use of consultants, states the following: -
- 5.1.2 Municipality may only appoint consultants after an assessment of the needs and requirements has confirmed that the FDDM does not have the requisite skills or resources in its fulltime employ to perform the function.
- 5.1.3 The Accounting Officer must adopt a fair and reasonable remuneration framework for consultants taking into account:
 - 5.1.3.1 Consultants may only be remunerated at the rates: -
 - Determined in the “Guideline for fees”, issued by the South African Institute of Chartered Accountants (SAICA);
 - Set out in the “Guide on Hourly Fee Rates for Consultants”, by the Department of Public Service and Administration (DPSA), or
 - Prescribed by the body regulating the profession of the consultant.
- 5.1.4 When Consultants are appointed an accounting officer must consider section 5(5)
 - 5.1.4.1 Appoint consultants on a time and cost basis
 - 5.1.4.2 Where practical appoint consultants on an output base
 - 5.1.4.3 Ensure consultants include overall cost ceilings by specifying if the price is inclusive or exclusive of travel and subsistence disbursements
 - 5.1.4.4 Ensure skills transfer from consultant to officials of municipality
 - 5.1.4.5 Develop consultancy reductions plans

- 5.1.5 The Travel and subsistence cost of consultants must be in accordance with the national travel policy issued by the National Department of Transport, as updated from time to time
- 5.1.6 All contracts of consultants must include penalty clauses for poor performance and in this regard, accounting officers must invoke such clauses where deemed necessary
- 5.1.7 The municipality must ensure that specifications and performance are monitored and used as a tool for the work to be done.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to the use of consultants.

5.1.8 Measure

- 5.1.8.1 The use of consultants must be reviewed and curtailed.

5.1.9 Controls

- 5.1.9.1 All pending appointments of consultants to be reviewed and no consultant services to be procured unless the Municipal Manager, based on a motivation from the Director concerned, endorses the procurement process.
- 5.1.9.2 Directors must review the utilisation of consultants in their respective Directorates to determine if their continued services are still required.
- 5.1.9.3 Requests for extension of consultants' contracts of appointment must be motivated in writing to the Municipal Manager, and he/she may in turn

instruct the Director to table an item via the Bid Committee system to make recommendations in this regard.

5.1.9.4 Any SLA or contract signed with consultants, must include

- Penalty clauses for poor performance,
- Clauses that deal with skills transfer,
- Period of the contract must be clearly stated, amongst other pertinent clauses.

5.1.9.5 Directorates who deal with Consultants must ensure compliance with the NT instruction, as it relates to disbursements for travelling and accommodation for consultants.

5.1.9.6 The Municipal Manager must give instructions to all Directorates to develop a consultancy reduction plan, indicating how they intend to comply with the National Treasury regulations. ions in this regard.

5.1.9.7 Any SLA or contract signed with consultants, must include

- Penalty clauses for poor performance,
- Clauses that deal with skills transfer,
- Period of the contract must be clearly stated, amongst other pertinent clauses.

5.1.9.8 The Municipal Manager must give instructions to all Directorates to develop a consultancy reduction plan, indicating how the Directorates intend to comply with the National Treasury instruction.

5.2 Vehicles Used for Political Office Bearers (Sec 6)

5.2.1 Measure

5.2.1.1 The threshold limit for the purchase of vehicles relating to political office bearers may not exceed R 700 000 or 70% of the total annual remuneration package for different grades, whichever is the lowest.

5.2.2 Control

- 5.2.2.1 The procurement must be undertaken by using the national government transversal contract mechanism
- 5.2.2.2 If any other process is used, the cost must exceed the threshold set out in the regulations
- 5.2.2.3 Before the procurement process for the acquisition of the vehicles, the Chief Financial Officer must provide the following information to the Council
- 5.2.2.4 Status of current Vehicles
- 5.2.2.5 Affordability
- 5.2.2.6 Extent of service backlogs
- 5.2.2.7 terrain for effective use of the vehicle
- 5.2.2.8 Any other policy information the Council might have

5.3 Travel and Subsistence / Hiring of Vehicles (Sec 7)

5.3.1 In line with the National Treasury instruction 01 of 2013/2014, as it relates to travel and subsistence expenses, the following control measures must be implemented: -

5.3.2 Control measures

- 5.3.2.1 Only economy class tickets to be purchased for employees and Councillors, where the flying time of the flight is five (5) hours or less.
- 5.3.2.2 The Municipal Manager may approve the purchase of business class tickets for employees with disabilities or for those with special needs, where the flying time is five (5) hours or less.
- 5.3.2.3 Purchasing of air tickets for first class travel is not permitted, under any circumstances.
- 5.3.2.4 Hiring of Vehicles for travelling must be undertaken in terms of the CCM regulations as it relates to vehicle groupings that can be hired (sec 7(6))
 - Officials must use the municipal fleet where viable
 - Make use of a shuttle service if the cost of such service is lower than
 - Cost of hiring a vehicle

- Cost of kilometres claimable
 - Cost of parking
 - Not hire a vehicle from a category higher than a Group B or equivalent class
- 5.3.2.5 FDDM must use negotiated rates for flights and accommodation, communicated by National Treasury, from time to time, or any other available cheaper flight and accommodation.
- 5.3.2.6 Sharing of the mode of transport when Employees / Councillors travel to the same destination.
- 5.3.2.7 Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometres to and from the destination (return journey).
- 5.3.2.8 Overnight accommodation will not be provided by FDDM if the meeting start time is later than 10:00
- 5.3.2.9 Overnight accommodation will be provided by the FDDM where a meeting is scheduled to end later than 16:00.
- 5.3.2.10 When a vehicle is hired, it must be shared between the Employees/Councillors attending the same workshop, conference, seminar, etc. (one vehicle to be hired per occasion).
- 5.3.2.11 Flight bookings must be made timeously, to prevent unnecessary overnight stay costs.

5.4 Travel claims

5.4.1 Measure

- 5.4.1.1 Ensure effective control over travel claims.

5.4.2 Controls

- 5.4.2.1 Directors must implement systems in their respective Directorates to ensure cost-effective and time efficient travelling.
- 5.4.2.2 Directors or assigned responsible managers will verify the distances claimed by the FDDM employee submitting a travel claim, to prevent excessive claiming kilometres.

- 5.4.2.3 Travelling must be pre-authorized by the appropriate delegated official, before such costs are incurred, whilst the said official must ensure that kilometres claimed are indeed justifiable.
- 5.4.2.4 The respective Directors should exercise control over the distances travelled.
- 5.4.2.5 Payroll department will assist in identifying excessive kilometres claimed as travelled by FDDM employees, and report it to the relevant director for confirmation.

5.5 Domestic accommodation (Sec 8)

- 5.5.1 The accounting officer must ensure that accommodation linked to travel and subsistence may not exceed the amount that National Treasury prescribed, and National Treasury may periodically review this amount.
- 5.5.2 If the amount as prescribed is exceeded, that accounting officer may approve in special instances:
 - 5.5.2.1 such as peak holiday periods, and when South Africa is hosting an event in the country
 - 5.5.2.2 or in a particular geographical area that results in an abnormal increase in the number of local / international guests in the country
 - 5.5.2.3 or in that particular geographical area.

5.6 Credit Cards (Sec 9)

- 5.6.1 The accounting officer must ensure that no credit or debit card linked to a bank account of the municipality is issued to any official or public office bearer.
- 5.6.2 Where officials or public office bearers incur expenditure in relation to official FDDM municipal activities, such officials must use their personal credit cards or cash or arrangement made by the municipality, and request a reimbursement

from the municipality in accordance with the relevant policies of the municipality.

5.7 Sponsorships, events and catering (sec 10)

5.7.1 National Treasury instruction 01 of 2013/2014 as it relates to expenses for catering and events, states the following: -

- 5.7.1.1 FDDM may not incur catering expenses for internal meetings, i.e. for meetings attended only by persons in its employ, unless approved by the accounting officer.
- 5.7.1.2 An accounting officer may incur catering expenses for hosting meetings, conferences , workshops, courses, forums, recruitment interviews and proceedings of council that exceed five hours.
- 5.7.1.3 An accounting officer may incur catering expenses for hosting meetings, conferences , workshops, courses, forums, recruitment interviews and proceedings of council that exceed five hours.
- 5.7.1.4 FDDM may not incur expenses on alcoholic beverages.
- 5.7.1.5 The Accounting officers must ensure that team building exercises and social functions, including year-end functions, are not financed from the budgets of their respective establishments or by any suppliers or sponsors.
- 5.7.1.6 The FDDM 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 such related cost is recovered from the affected officials
- 5.7.1.7 The Accounting Officer may incur expenditure to host a farewell function in recognition of officials who retire after serving the municipality for ten

years or more or retire on grounds of ill health, not exceeding the limits from petty cash use.

In implementing the aforementioned instruction, the following control measures are applicable as it relates to catering and entertainment: -

5.7.2 Control Measures

- 5.7.2.1 Apart from tea, coffee, sandwiches or muffins, no catering and refreshments will be provided at Council workshops, retreats, strategic sessions, internal training sessions, official meetings (Standing Committees and other Council committees), Council meetings and Management meetings.
- 5.7.2.2 At the discretion of the Municipal Manager, catering and refreshments may only be provided at meetings with overseas visitors and other spheres of government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.
- 5.7.2.3 At the discretion of the Municipal Manager, catering and refreshments may only be provided at meetings with overseas visitors and other spheres of

government (Provincial/National), after budget availability has been confirmed by the Budget and Treasury Section.

5.8 Communication (Sec 11)

5.8.1 Measure

- 5.8.1.1 The FDDM Council's policy relating to payment for private calls must be fully enforced by all Directorates.
- 5.8.1.2 FDDM must as far as possible advertise FDDM related events on its website instead of advertising in magazines and newspapers
- 5.8.1.3 Newspapers and other related publications for the use of officials must be discontinued on expiry of existing contracts or supply orders
- 5.8.1.4 FDDM must participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services

5.8.2 Controls

- 5.8.2.1 The cost of private calls must be recovered by all Directorates by providing a schedule on a monthly basis to the Finance Directorate (Payroll Office), in order for the necessary deductions to be made from the affected FDDM employees' salaries.

5.9 Conferences meetings and study tours (sec 12)

5.9.1 Measures and Controls

- 5.9.1.1 The accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies

- or non-governmental institutions within or outside the borders of the RSA, taking into account their merits and benefits, costs and available alternatives
- 5.9.1.2 Conferences, seminars and workshops may be attended by Officials and Councillors, but only when absolutely necessary.
- 5.9.1.3 When considering applications to attend conferences or events, the borders of South Africa by officials or political office bearers, all the requirements as per section 12(2,3,4,5,6) needs to be considered.
- 5.9.1.4 The Director concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.
- 5.9.1.5 The total size of FDDM delegations attending conferences, seminars and workshops outside the FDDM area, must be restricted to three delegates.
- 5.9.1.6 The Director concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds three delegates from the FDDM.
- 5.9.1.7 Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
- 5.9.1.8 In the event of training being provided at no cost to the FDDM, the size of the FDDM delegation may be increased, subject to approval by the Municipal Manager.
- 5.9.1.9 The accounting officer must grant permission to officials and political office bearers, and in the case of the accounting officer the mayor must grant the .permission
- 5.9.1.10 The accounting officer of a municipality 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.
- 5.9.1.11 Municipal or provincial facilities must be utilised for conference, meetings, strategic sessions, inter alia, where an appropriate venue exists within the municipal area.

5.10 Other related expenditure items (Sec 13)

- 5.10.1 All commodities, services and products covered by a transversal contract concluded by the National Treasury, must be procured through the transversal contract before approaching the market, to benefit from savings where lower prices or rates have been negotiated
- 5.10.2 FDDM resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during elections.

5.11 Municipal Workshops, Retreats, Strategic Sessions and Internal training

5.11.1 Controls

- 5.11.1.1 Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.
- 5.11.1.2 The Director concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.
- 5.11.1.3 Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
- 5.11.1.4 The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.
- 5.11.1.5 Budget availability must be confirmed by the Budget & Treasury Section in the first instance, prior to the Municipal Manager approving the use of external venues.

5.12 Projects /Programme Launches

5.12.1 Controls

- 5.12.1.1 The number of projects/programme launches must be minimised, so as to limit the associated costs to the FDDM.
- 5.12.1.2 When different projects/programmes are launched in a particular ward, it must be organised as one launch and not as different launches for each and every project.

5.13 Uniforms and Clothing

5.13.1 Controls

- 5.13.1.1 A Uniforms Policy must be drafted stipulating the guidelines, including type of uniforms, shoes and frequency of issue, etc. in line with the working environment of the respective employees.
- 5.13.1.2 A monthly reconciliation of uniforms purchased and issued to staff members must also be performed by the respective Directorates.

5.14 Temporary Appointments, Contractual Appointments, Unemployed Graduates and Experiential Learners

5.14.1 Measure

5.14.1.1 Directors must ensure compliance with all the relevant policies and procedures, as it relates to employment contracts, for the aforementioned employment categories.

5.14.2 Controls

5.14.2.1 Directors must ensure that the employment contracts for the aforementioned categories are in line with the applicable HR policies, and must in conjunction with the Monitoring and Evaluation Unit (AMU), ensure compliance.

5.14.2.2 The Administration, Monitoring and Evaluation Directorate must confirm if such proposed appointments are in line with the Municipal Systems Amendment Act (5 July 2011)

5.14.2.3 The relevant recruitment notifications must be endorsed by the Budget & Treasury Section for budget availability, after HR has confirmed compliance with the applicable HR policies

5.15 Fleet Vehicle

5.15.1 Measure

5.15.1.1 Limit expenditure under the scheme and apply the applicable policies and procedures consistently.

5.15.2 Controls

Policy guidelines must be formulated by the Finance Department relating to the type of vehicles to be purchased by FDDM as to the vehicles required for the execution of the duties of employees who use fleet vehicles

5.16 Acting Allowances

5.16.1 Measure

- 5.16.1.1 Acting allowances must be paid in accordance with the applicable HR policies,
- 5.16.1.2 SALGBC Collective Agreements and any applicable legislation.

5.16.2 Controls

- 5.16.2.1 Acting appointments should only be cascaded to two levels below the acting position, to curb unnecessary costs.
- 5.16.2.2 Acting must only be permitted in positions on the approved organogram, in line with Municipal Systems Amendment Act (5 July 2011).
- 5.16.2.3 Acting must only be permitted in funded vacant positions.
- 5.16.2.4 Prior to an employee being assigned to act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
- 5.16.2.5 Acting for extended periods must be discouraged, unless motivated to the Municipal Manager, based on operational reasons. This will ensure that the FDDM is not exposed to unnecessary litigation.

5.17 Overtime

5.17.1 Measure

- 5.17.1.1 Overtime must be undertaken in compliance with all relevant policies, SALGBC
- 5.17.1.2 Collective Agreements and applicable legislation (e.g. Basic Conditions of Employment Act).

5.17.2 Controls

- 5.17.2.1 Overtime should only be approved where the necessary budget provision exists, after a need analysis has been undertaken by the relevant Directorate.

- 5.17.2.2 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).
- 5.17.2.3 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.
- 5.17.2.4 The core working hours of the employees to be changed to a shift system, where applicable, to obviate the need for overtime.
- 5.17.2.5 The regulations issued by the Department of Labour, relating to annual salary thresholds within which overtime may be paid, must be adhered to.
- 5.17.2.6 The Monitoring and Evaluation Directorate must ensure that an Overtime Policy is developed and approved by Council, and such policy must be in line with the applicable legislation and regulations.

5.18 General Measures To Be Implemented

- 5.18.1 In order to curb petrol expenditure, the FDDM' s vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of FDDM vehicles and excessive petrol consumption.
- 5.18.2 E-Learning methods should be considered for in-house training.
- 5.18.3 Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.
- 5.18.4 Where possible, transversal contracts must be used for the procurement of goods and services.
- 5.18.5 Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.
- 5.18.6 Bulk purchases should be considered for regularly consumed inventory

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- 5.19.5 Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.
- 5.19.6 Bulk purchases should be considered for regularly consumed inventory.

5.20 Implementation Date Of The Cost Containment Policy

The Cost Containment Policy (CCP) was approved by Council on _____; and is thus effective as from 1 July 2019 as required by the published regulations.

5.21 Monitoring And Evaluation

- 5.21.1 Directors are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.
- 5.21.2 The required reporting framework will be developed by the Monitoring and Evaluation Manager and will be made available to all Directors.
- 5.21.3 The Directors must report on the implementation of the CCM, to the Portfolio Committees and the Mayoral Committee on a quarterly basis.

5.22 Enforcement Procedures (Sec 14)

Failure to implement or comply with the policy and CCM regulations may result in any official of the FDDM, political office bearer that authorised or incurred any expenditure contrary to these regulations and policy being held liable for Financial Misconduct Procedures and Criminal Proceedings