

EMFULENI LOCAL MUNICIPALITY

CLUSTER: FINANCIAL SERVICES

DEPARTMENT: EXPENDITURE



Vaal River City, the Cradle of Human Rights

CREDITORS DIVISION

COST CONTAINMENT POLICY 2019/2020

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

"*municipality*" Emfuleni Local Municipality

2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures at Emfuleni 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. STRATEGIC PRIORITY AREAS (INTENT)

4.1 The strategic priority areas of the Municipality are enshrined in the Integrated Development Plan (IDP) and are categorized into four pillars.

4.2 These pillars are namely:

- a) Improve Collection
- b) Reduce Losses
- c) Saving on Expenditure
- d) Credible Indigents Register

4.3 This policy supports the Financially Sustainable Municipality's four pillar to maximize the financial resources by ensuring long-term financial viability and sustainability, thus improving service delivery and giving impetus to the Emfuleni Local Municipality's vision of being "A developmental City that continuously improves the quality of life of its community"

5. SCOPE OF THE POLICY

This policy will apply to all:

- 5.1 Councilors; and
- 5.2 Municipal employees.

6. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the -

- 6.1 The Municipal Finance Management Act 56 of 2003,
- 6.2 Circular 82, published on 7 December 2016;
- 6.3 Municipal Cost Containment Regulations 2018
- 6.4 The ELM Financial Recovery Plan 2018
- 6.5 The ELM SCM Policy 2018/19

7. POLICY PRINCIPLES

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

- 7.1 Use of consultants
- 7.2 Vehicles used for political office-bearers
- 7.3 Travel and subsistence
- 7.4 Domestic accommodation
- 7.5 Credit cards
- 7.6 Sponsorships, events and catering
- 7.7 Communication
- 7.8 Conferences, meetings and study tours
- 7.9 Any other related expenditure items

7.1 USE OF CONSULTANTS

- 7.1.1 Consultants may only be appointed after an assessment of the needs and requirements has been conducted.
- 7.1.2 The assessment referred to in 7.1.1 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.
- 7.1.3 When consultants are appointed the following should be included in the Service Level Agreements:
 - a) Consultants should be appointed on a time and cost basis that has

- specific start and end dates;
- b) Consultants should be appointed on an output-specific, specifying deliverables and the associated remuneration;
- c) 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
- d) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.

7.1.4 Consultancy reduction plans should be developed.

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

7.1.6 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.

7.2 VEHICLES USED FOR POLITICAL OFFICE-BEARERS

7.2.1 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.

7.2.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.

7.2.3 If any other procurement process is used, the cost may not exceed the threshold set out in 7.2.1

7.2.4 Before deciding on another procurement process as in 7.2.2, the chief financial officer must provide the council with information relating to the following criteria that must be considered:

- a) Status of current vehicles
- b) Affordability
- c) Extent of service delivery
- d) Terrain for effective usage of vehicle
- e) Any other policy of council

7.2.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometers.

7.2.6 Notwithstanding 7.2.5, 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.

7.3 TRAVEL & SUBSISTENCE

An accounting officer:

- 7.3.1 May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less
- 7.3.2 For flights that exceed five (5) hours of flying time, may purchase business class tickets only for the Executive committee members and the Mayoral committee members.
- 7.3.3 Notwithstanding 7.3.1.1 an accounting officer may approve the purchase business class tickets for officials with disabilities.
- 7.3.4 International travel to conferences or events will only be approved if it is considered critical to attend, and only the officials that are directly involved with the subject matter will be allowed to attend the event.
- 7.3.5 Officials of the municipality must:
 - 7.3.5.1 Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;
 - 7.3.5.2 Make use of a shuttle service if the cost of such a service provider is lower than:
 - a) *the cost of hiring a vehicle;*
 - b) *the cost of kilometers claimable by the employee*
 - c) *the cost of parking.*
 - d) *not hire vehicles from a category higher than Group B; and*
 - e) *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.*
- 7.3.6 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.

7.4 DOMESTIC ACCOMMODATION

- 7.4.1 An 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, and the travel and subsistence policy of the municipality.

7.5 CREDIT CARDS

7.5.1 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 public office-bearer.

7.5.2 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, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

7.6 SPONSORSHIPS, EVENTS AND CATERING

7.6.1 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.

7.6.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:

- a) Hosting of meetings;
- b) Conferences;
- c) Workshops;
- d) Courses;
- e) Forums;
- f) Recruitment interviews
- g) Council proceedings

7.6.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000,00) per person per financial year, unless otherwise approved by the accounting officer.

7.6.4 Expenses may not be incurred on alcoholic beverages.

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

- a) staff year-end functions
- b) staff wellness functions

c) attendance of sporting events by municipal officials

7.6.6 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.

7.6.7 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.

7.7 **COMMUNICATION**

7.7.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.

7.7.2 Publications such as internal newsletters must be designed internally and be published quarterly in an electronic media format and on the municipal website/intranet.

7.7.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.

7.7.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.

7.7.5 Allowances for officials for private calls is limited in line with phone policy.

7.8 **CONFERENCES, MEETINGS AND STUDYTOURS**

7.8.1 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.

7.8.2 The benchmark costs may not exceed an amount determined by National Treasury.(i.e R25.00 per person per day)

7.8.3 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;

- a) Whether the conference or event will address the relevant concerns of the municipality;
- b) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
- c) Availability of funds to meet expenses related to the conference or event.

7.8.4 The amount referred to in 7.8.2 above excludes costs related to travel, accommodation and related expenses but includes:

- a) Conference or event registration expenses
- b) Any other expense incurred in relation to the conference or event.

7.8.5 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.

7.8.6 Attendance of conferences will be limited to one (1) per annum with a maximum of two (2) delegates.

7.8.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.

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

7.8.9 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

7.9 **OTHER RELATED EXPENDITURE ITEMS**

7.9.1 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.

7.9.2 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.

8 MEDIUM TERM INTERVENTIONS IN RELATION WITH FRP

In term of the ELM Financial Recovery Plan 2018, the following medium-term interventions were considered in the proposed adjustments budget for consideration in the budget's adjustments process for 2018/19, and which will also be subject to a detailed line item analysis and final approval of the adjustments budget by Council. The anticipated reduction in expenditure to be determined on the implementation of the budget.

- 8.1 5 % reduction in employee related costs per annum to be effected as a result of overtime management, introduction of a shift allowance and increased productivity and efficiencies through restructuring and the implementation of performance management processes.
- 8.2 5% reduction in contracted services to be effected due to the reduction in the reliance on external service providers and internalization of key services.
- 8.3 5%, 7,5% and 5% increase in repairs and maintenance for MTREF to be allocated from cost reductions in budget and increased collection through improved focus on revenue collection.
- 8.4 An additional 1 % increase in services revenue and property rates in the MTREF due to revenue optimization and tariff adjustments (outer years) for properties outside the current revenue processes i.e. property valuations, non-metering, etc.
- 8.5 A reduction in bulk purchases expense correlating with the reduction in water and electricity distribution losses envisaged as a result of increased capital spending and repairs and maintenance spending as follows: -
- 8.6 Water – 7.5%, 5% and 5% reduction in water losses in the MTREF
- 8.7 Electricity – 7.5%, 5% and 5% reduction in electricity losses in the MTREF.
- 8.8 Working capital adjustment to ensure creditors restructured and renegotiated and that the creditors payment days reduce to 165 days, 100 days and 50 days in 2018/19, 2019/20 and 2020/21 respectively.

9 ENFORCEMENT PROCEDURES

- 9.1 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.

10 DISCLOSURES OF COST CONTAINMENT MEASURES

- 10.1 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.
- 10.2 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.
- 10.3 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.

11 IMPLEMENTATION & REVIEW PROCESS

- 11.1 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.

12 CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- 12.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 12.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 12.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 12.4 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:
- a) Findings and recommendations; and/or
 - b) Whether disciplinary steps should be taken against the alleged transgressor.
- 12.5 The accounting officer must table the report with recommendations to the municipal council.
- 12.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.