

COST CONTAINMENT POLICY
(Approved by Council on 29 May 2025)



COST CONTAINMENT POLICY 2025/2026

PREAMBLE

Whereas sections 62 (1) (d) and 78 (1) (b) (c) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003) require the Accounting Officer and Senior Managers and other Officials of municipalities to take all reasonable steps within their areas of responsibilities to ensure that financial and other resources of the municipality are managed are utilised effectively, efficiently, economically and transparently; and further that they prevent any unauthorised, irregular or fruitless and wasteful expenditure or any other loses; and

Whereas Cost Containment Regulations, 2019 (notice number 317 of 2019) aims to ensure that municipal and municipal entities resources are utilised effectively, efficiently and economically by implementing Cost Containment measures; and Whereas regulations 4 of the Regulations requires the municipalities to develop or revise and implement a cost containment policy which must adopted by the Municipal Council; and

Whereas the policy must be in writing to give effect to the Regulations; and

Whereas the municipality must have monitoring measures and consequence management procedures; and

Council hereby approves the cost containment policy for implementation to ensure and effect the object of the Regulations.

1. PURPOSE OF THE POLICY

The policy intends to regulate spending and improve on revenue management through the implementation of cost containment measures at Thembelihle Local Municipality.

2. OBJECTIVES OF THE POLICY

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

3. SCOPE OF THE POLICY

The policy shall apply to all Councillors, members of the oversight Committees and all municipal employees including those contracted to the municipality in whatsoever way.

4. LEGISLATIVE FRAMEWORK

This policy is premised from the provisions of sections 62 (1)(d) and 78 (1) (b) (d) of the Municipal Finance Management Act, 2003 (Act no 56 of 2003) and the subsequent Regulations on Cost Containment, 2019. It gives effect to the implementation of the Cost Containment Regulation, 2019 (notice number 317 of 2019)

5. POLICY PRINCIPLES

- Effective, efficient and economical use of municipal resources;
- Promotion of Batho Pele Principle;
- Promotion of sense of responsibility;
- Promotion of accountability; and
- Improving service delivery

The following measures shall be effect with immediate effect: -

6. MANAGEMENT OF LEAVE DAYS (PAY OUT)

Municipality is incurring high employee related costs mainly due excessive accrued leave days which are claimed either when the employee termination of service. This affect financial planning, execution and has a bearing auditing.

Controls Measures

- It is the responsibility of Senior Managers in conjunction with Corporate Services to manage leave days of their staff in line with the approved HR policy on leave.
- All the employees exceeding the leave quota shall forfeit the number of such leave days.
- All employees are required to take 10 consecutive day on the anniversary of their engagement with the municipality;
- Any employee who take any leave without authorisation, shall be deemed to absent and thus it will be considered a leave without pay for that day; and
- Any query related thereto shall be dealt with only at departmental level and the Senior Manager concerned shall be responsible for resolving such.

7. ACTING AND ACTING ALLOWANCE

Acting shall be done in accordance with the prescripts of the HR policy on Acting and Acting Allowance.

Control Measures

- All acting shall be pre-approved with clear motivation from the Senior Manager.
- No Acting will be actioned before approval is sort.
- Acting shall be instituted in accordance with the policy, that no Acting shall be

effected above two position of the person requested to Act, deviations may however, be considered provided that it is due to operational reasons that are beyond control and approved by the Municipal Manager.

- Acting must only be permitted on funded positions provided for in the approved organogram.
- All Acting shall be accompanied with clear instructions and expected deliverables to the Acting personnel.
- A comprehensive hand over report must be prioritised to ensure smooth transition.
- Acting allowance shall be monitored to ensure prudent application of the HR policy on Acting.
- Any person applying to Act must at least meet the requirements of the position they are to Act on,
- All vacant position that were budgeted for should be filled within reasonable time.
- Prior to an employee being assigned to Act, the request must firstly be forwarded to the Budget and Treasury Section to confirm budget availability.
- No Acting shall be allowed to exceed a period of three months unless approved by the Municipal Manager.

8. OVERTIME AND STAND-BY ALLOWANCES

Overtime and stand-by has been identified as one of the major cost driver in the employee related costs.

Control Measures

- All overtime and stand-by should be approved by the Senior Manager; unless in excess of the legislated hours, the application must be approved by the Municipal Manager;
- All overtime should done within the framework of the HR policies and SALGBC agreements;
- Proper and efficient and effective management of overtime is required from Senior Managers;
- All overtime work should be done within the budgetary constraints; and
- Introduce and implement shift systems to reduce if not eradicating overtime;

9. REVENUE MANAGEMENT

Revenue management is collective and collaborative function that requires efforts from all departments in the municipality. It is a value chain function in the municipality.

Control Measures

- Establish a multidisciplinary and transcendental Revenue Management team to investigate innovative revenue enhancement methods ;
- Improve the turn-around time for maintenance of key infrastructure;
- Develop and manage the infrastructure maintenance plan;
- Conduct data cleansing to ensure proper billing system;
- Replace all conventional meters (electricity and water) and convert all the pre-paid meters into smart meters;
- Increase the number of personnel at the billing section;
- Implement the credit control policy; and
- Appoint credit control and debt collection service providers to ensure that all revenue owed to the municipality is recovered.

10. USE OF CONSULTANTS AND CONTRACT MANAGEMENT

Consultants form an integral part of municipal service delivery mechanism, through either planning or implementation of development projects. In understanding their importance and partnership in service delivery, over a period the municipality has to reduce their dependency on consultants, as this is not a sustainable practice. The municipality has to develop its own capacity to provide services that are provided by consultants.

Control Measures

- Always conduct market research to determine prices of commodities and services before going on tender and during tender evaluation process;
- Only use consultants where it has been proven that there is no appropriate skills to provide such service;
- There should be a clear-cut written plan for skills transfer from service that are provided by consultants, depending on the type of the contract. The plan has to have clear measurable deliverables, which shall be assessed by the delegated official and the Senior Manager.
- Enhance the skills development plan for affected officials, i.e. technical and others;
- Appointment of all contracts shall be accompanied by a signed Service Level Agreement with explicit measurable deliverables, penalty clauses, retention money and project time-frame;
- Payment of all contracts shall be accompanied by contract performance report, from the service provider and the departmental report;
- All the departments should manage all their contract and liaise with the Legal

Office;

- Consultants should be according to the legally approved rates by their professional bodies e.g. SAICA, Department of Public Service and Administration
- All the departments should report on contract performance monthly to the Municipal Manager.

11. TRAVEL, SUBSISTENCE AND ACCOMMODATION

Travelling is forms an integral part of work of the municipality especially for attending meetings, conferences, trainings, workshops, etc. it is thus one of the cost drivers for municipal spending. There two modes of transport are used to reach this goal i.e. airborne and road.

Control Measures

- In all instances, all employees and Councillors going to the same place shall share transport to the maximum number of four per car
- No travelling and SnT shall be approved without an invitation
- All officials and Councillors travelling shall be liable to provide a copy of the attendance register and present report to their HOD's.
- All travelling shall be controlled from departments by Senior Managers, which by all means shall consider the cost containment measures state hereunder;
- All travelling shall be pre-authorised before undertaken;
- For any air ticket to be purchased if flying time is five hours or less, only economy class shall be approved;
- Flights exceeding five hours, only the Accounting Officer and Councillors shall qualify for business class tickets;
- International flights are discouraged unless otherwise proven to be beneficial to the municipality and such decision shall vest with Council;
- Domestic hotel accommodation shall be limited to R 1370. 00 per night as may be determined by National Treasury from time to time;
- The Accounting Officer may approve a hotel stay above the R 1 370. 00 threshold shall it impossible to secure accommodation at that rate due to high demand for accommodation in the area;
- Hiring of vehicles can only be done in accordance of the approved Council policy;
- Sharing of mode of transport when employees/ Councillors are going to the same place; and
- Overnight accommodation must be limited to instances where the distance by road is in excess of 500km on a return trip;

12. ESSENTIAL VEHICLE USER SCHEME

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

Control Measures

- Policy guidelines must be formulated by the Corporate Services Senior Managerate relating to the type of vehicles to be purchased by qualifying employees, requiring vehicles for the execution of their duties;
- Logbooks must be submitted by Corporate Services Senior Managerate quarterly to the payroll section of all participants of the essential vehicle user scheme to determine if they travelled the minimum 500 km per month; and
- Through Corporate Services Department, all positions that are travelling allowance bearing should be determined and employee in such positions be encouraged to participate in such scheme.

13. CATERING, REFRESHMENTS & ENTERTAINMENT

Understanding that leaving for lunch during a meeting might be disruptive in nature similarly with sitting in a meeting for more than 5 hours

Control Measures

- No catering or refreshment shall be purchased for **internal meetings**, i.e. for meetings attended only by **persons in its employ**, unless approved by the accounting officer especially if the meeting extend for than 5 hours.
- Should catering and refreshments be purchased, they should be limited to tea, coffee, muffins or snack platters;
- Catering may be purchased for Council Meetings, Council workshops, retreats, strategic sessions, internal training sessions, official meetings, Management Meetings upon approval of the Accounting Officer;
- At the discretion of the Accounting Officer in consultation with the Budget and Treasury section, approve purchase of catering for meetings with international guests and other spheres of government;
- No expenses shall be incurred on **alcoholic beverages**, except for instances where alcohol is to be served at functions relating to: -
 - State banquets;
 - The promotion of South Africa and any of its goods or services; or
 - The hosting of foreign dignitaries.
- 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.

14. ATTENDANCE OF CONFERENCES, SEMINARS & WORKSHOPS

Conferences, seminars and workshop provide an insurmountable amount of information necessary for the development of the municipality.

Control Measures

- Conferences, seminars and workshop may be attended by Officials and Councillors, but only when is absolutely necessary;
- The Senior Manager concerned must submit a motivation to the Municipal Manager, outlining the absolute necessity for attendance.
- The total size of municipal delegations attending conferences, seminars and workshops outside the Municipality, must be restricted to two delegates per Directorate.
- The Senior Manager concerned must submit a motivation to the Municipal Manager, if the number of required attendees exceeds two delegates from the Municipality.
- Budget availability must be confirmed by the Budget & Treasury Section, in the first instance.
- In the event of training being provided at no cost to the Municipality, the size of the municipal delegation may be increased, subject to approval by the Accounting Officer.
- Only local municipal venues may be utilised to host municipal workshops, retreats, strategic sessions and internal training.

The Senior Manager concerned must submit a motivation to the Municipal Manager, in the event of local municipal venues not being available.

- Alternative facilities at other government institutions must then be sourced, where such sessions cannot be held in-house.
- The necessary proof must be provided to the Municipal Manager, where local municipal venues or facilities at other government institutions are not available.
- 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.

15. PROJECTS /PROGRAMME LAUNCHES

The number of projects/programme launches must be minimised, so as to limit the associated costs to the Municipality.

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.

16. UNIFORMS AND CLOTHING

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.

The respective Directorates must also perform a monthly reconciliation of uniforms purchased and issued to staff members.

17. MANAGE AND CONTROL THE USE OF VEHICLES FOR POLITICAL OFFICE-BEARERS

- Political Office-Bearers are encouraged use their private vehicles and claim as provided for in the Regulations for Upper Limits for Remuneration Packages of Office Bearers until such time that the financial health of the municipality has improved.

18. SPONSORSHIPS, EVENTS AND CATERING

- No sponsorship should be entertained in whatsoever manner
- Events that are not budgeted for, will not be implemented unless funds are sourced outside the municipal budget; and

19. COMMUNICATION MEDIA

- All media like regular magazines are discouraged and no funds will be provided for such
- Newspaper advertisements shall be approved by the Accounting Officer
- The Accounting Officer shall determine who qualifies for cell phone allowance and also put measures in place landline telephone control measures in place to reduce costs
- The use of the website, e-tender, etc. are s highly encouraged to advertise on

20. CONFERENCES, MEETINGS AND STUDY TOURS

- The Accounting Officer based on the merit of the case and availability of resources to fund such activity will approve conferences, meetings and study tours.
- Approval of such attendance shall depend on the availability of funds

21. GENERAL MEASURES TO BE IMPLEMENTED

In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilised by the Directorates to monitor usage in order to curb abuse of municipal

vehicles and excessive petrol consumption.

- E-Learning methods should be considered for in-house training.
- Telephone and/or Video conferencing facilities must be used, where possible, to avoid unnecessary travelling and subsistence costs.
- Where possible, transversal contracts must be used for the procurement of goods and services.
- Consideration must be given to utilising the services of the Government Communications and Information System (GCIS) for media related needs.
- Bulk purchases should be considered for regularly consumed inventory.

22. ENFORCEMENT PROCEDURE

This document is a municipal legal document, failure to implement, comply or adhere to measures herein stipulated shall constitute misconduct and thus punishable by Council policies.

23. MONITORING AND EVALUATION

Senior Managers are required to report on a quarterly basis regarding the respective status of implementation of the Cost Containment Policy (CCP) for their respective Directorates.

The Senior Manager: Corporate Services and the Chief Financial Officer will develop the required reporting framework and will make available to all Senior Managers. The Senior Managers **must** report on the implementation of the CCP, to the Portfolio Committees and Council on a quarterly basis.

24. DISCLOSURE OF COST CONTAINMENT MEASURES

The disclosure of cost containment measures implemented must be included in the budget in-year reports and annual cost savings disclosed in the annual report

The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings, on the implementation of the cost containment measures must be submitted to Council for review and resolution. Council can refer such reports to an appropriate Council Committee for further recommendations and actions

Such reports must be copied to the National and Provincial Treasury within seven calendar days after the report tabled to Council.

25. IMPLEMENTATION DATE OF THE COST CONTAINMENT POLICY

The Cost Containment Policy (CCP) shall be implementable as from 01 June 2023.

Approval

SIGNATURE ACCOUNTING OFFICER:.....

DATE:.....

SIGNATURE: (MAYOR).....

DATE:.....

COUNCIL RESOLUTION NUMBER:.....

DATE:.....