



MOGALE CITY LOCAL MUNICIPALITY

COST CONTAINMENT POLICY

2026 -2027

APPROVED

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1. DEFINITIONS

“**MCLM**” **Mogale City Local Municipality**, was established in terms of the Municipal Structures Amendment Act (Act 33 of 2000) as a Category B Municipality and officially came into being after the democratically held Local Government Elections on 15th February 2001.

“**ACT**” means Municipal Finance Management Act No. 56 of 2003 (**MFMA**)

“**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.

“**CONSULTING SERVICES**” means those specialised services and skills that are required for the achievement of a specific objective with the aim of providing expert and professional advice/services on a time and cost basis. These professional advice/services may include:

- a) The rendering of expert advice.
- b) Obtaining relevant information from the institution to draft a proposal for the execution of specific tasks that are of a technical or intellectual nature.
- c) Business and advisory services.
- d) Infrastructure and planning services.
- e) Laboratory services; and
- f) Science and Technology.

“**COST CONTAINMENT**” means the measures implemented to curtail spending in terms of this policy and the Cost Containment Regulation.

“**COUNCIL**” means Municipal Council of Mogale City Local Municipality

“**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.

“**ACCOUNTING OFFICER**” means the Municipal Manager appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

“**mSCOA**” means Municipal Standard Chart of Accounts.

“**DELEGATED OFFICIAL**” means any person or committee delegated with authority by the Municipality in terms of the provisions of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and/or Mogale City Local Municipality’s System of Delegations.

“**DELEGATION**” in relation to a duty, includes an instruction or request to perform or assist in performing a duty, and “delegate” has a corresponding meaning.

“**OFFICIAL**” means an employee of Mogale City Local Municipality responsible for carrying out a duty or function or exercising any power in terms of this Policy and includes any employee delegated to carry out or exercise the duty, function, or power, but excludes the Accounting Officer as defined in the MFMA.

“**POLITICAL OFFICE BEARER**” means the Speaker, Executive Mayor, Chairperson of a Section 79 Committee, Mayoral Committee Member, Chief Whip and an Ordinary Councillor as referred to in the Determination of Upper Limits of Salaries, Allowances and Benefits of different Members of Municipal Councils issued in terms of the Remuneration of Public Office Bearers Act (Act 20 of 1998).

“**REGULATIONS**” means the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019.

“**SUB-VOTE**” means one of the segments below the main segment (vote) into which a budget of a municipality is divided for the appropriation of money – a sub-vote/ department in Mogale City Local Municipality is set at departmental level.

“**VOTE**” means one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the Municipality – a vote in MCLM is set at a departmental level.

“**MTBPS**” means Medium Term Budget Policy Statement (**MTBPS**)

2. INTRODUCTION

The Minister of Finance announced during the February 2016 Budget Speech and the October 2016 Medium Term Budget Policy Statement (MTBPS) that National Treasury would issue regulations on cost containment measures for Local Government. This is in line with National Government’s Policy to implement cost-saving measures across the three spheres of Government to assist in re-prioritizing expenditure and freeing up resources that can be better targeted towards service delivery.

The Regulations were published on 7 June 2019 in the Government Gazette, with the effective date being 1 July 2019.

Section 168 (1)(b) and (p) of the MFMA (“Act”) provides that the Minister may regulate financial management and internal control and any other matter that may facilitate the enforcement and administration of the Act. The Regulations are aimed at ensuring that the resources of the Municipality are used effectively, efficiently and economically.

The Regulations form part of cost-cutting measures by the State. It also sets out instructions for the Municipality (MCLM) to develop its own cost containment Policy as a minimal measure, procedures for review, and consequences for non-compliance. It must be reviewed annually and communicated on MCLM’s website.

National Treasury Circular No. 97 and Guideline has been considered and leading practices have been included into this Policy.

3. PROBLEM STATEMENT

In terms of the legal framework, elected councillors and Accounting Officer are required to institute appropriate measures to ensure limited resources and public funds are appropriately utilized to ensure that value for money is achieved in fulfilling the Municipality's mandate.

4. PURPOSE

The purpose of this Policy is to direct MCLM on cost containment measures that must be implemented in an effort to ensure that resources of the Municipality are used effectively, efficiently, and economically and in alignment with the Cost Containment Regulations of July 2019.

5. OBJECTIVE OF THE POLICY

The objectives of this Policy, in line with Sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Act, is to ensure that resources of the Municipality are used economically, effectively, and efficiently by implementing cost containment measures.

6. APPLICATION OF POLICY

6.1 This policy applies to the Accounting Officer, all Officials, all Political Office Bearers, all Councillors, including all Contract Workers, all Interns, all Expanded Public Works Programme Workers, and all Consultants in Mogale City Local Municipality.

6.2 The cost containment measures are intended to eliminate wastages of public resources on non-service delivery items, and to enhance service delivery models through measures such as curtailing costs.

7. LEGISLATIVE FRAMEWORK

This Policy must be read in conjunction with the-

7.1 The Local Government: Municipal Finance Management Act No. 56 of 2003.

7.2 MFMA Circular 82, published on 7 December 2016.

7.3 Municipal Cost Containment Regulations, 7 June 2019. Government Regulation 42514.

7.4 MCLM' By-Laws.

7.5 MCLM's Policies.

7.6 Guide on Hourly Fee Rates for Consultants, issued by the Department of Public Service and Administration.

7.7 Guideline on fees for audits undertaken on behalf of the Auditor-General of the South Africa" issued by the South African Institute of Chartered Accountants.

7.8 Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998).

7.9 Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014

8 POLICY PRINCIPLES

This Policy applies to the procurement of the following goods and/or services:

- i. Use of consultants.
- ii. Vehicles used for political office-bearers.
- iii. Travel and subsistence.
- iv. Domestic accommodation.
- v. Credit cards.
- vi. Sponsorships, events, and catering.
- vii. Communication.
- viii. Conferences, meetings, and study tours.
- ix. Any other related expenditure items.

9 USE OF CONSULTANTS

7.1 The prescripts and limitations set out in Regulations 5(1) to 5(9) apply, read together with the MFMA, the SCM Regulations and MCLM's Supply Chain Management ('SCM') Policy.

7.2 Regulations 5 does not prohibit the use of consultants but requires that before the services of consultants are procured, the need thereof must be assessed against the available internal capacity for the specific services required.

7.2.1 The criteria for such assessment is contained in the Consultant Assessment to be completed.

7.2.2 The practice of procuring consultants on a percentage fee is not permitted.

7.3 To give effect to Regulation 5(1) the following must be addressed in the request for the appointment of consultants:

7.3.1 Whether there are legislative requirements for consultants to be appointed.

7.3.2 Whether the specialized consultant skills are not ordinarily required (day-to-day operations) by MCLM.

7.3.2 Whether it is necessary to maintain these skills in-house i.e. does a skills transfer programme apply or is the demand a once-off or on a temporary basis (including an intermittent service).

7.3.3 The urgency, in terms of time-based demands, example statutory reporting deadlines and / or specialists, skills set not part of the skill sets of the fulltime MCLM's employee resources and should be detailed the SCM specification.

7.3.4 The remuneration framework, as adopted by the Accounting Officer, must include remuneration guidelines, appropriate for the consulting services being procured, determined by bodies such as those contained in the following non-exhaustive list:

- 7.3.4.1 Auditor-General of South Africa (AGSA)
- 7.3.4.2 Department of Public Service and Administration (DPSA);
- 7.3.4.3 Any applicable regulatory body; or
- 7.3.4.4 Any other applicable body, institution, research institution etc.

7.4 It is always advisable to negotiate rates lower than the maximum.

7.5 In respect of the centralized provision for uncommitted consultants provided for within Rates/Tariff Funded services per vote or sub-vote as determined by three Budget and Treasury Division, the following will apply:

7.5.1 To assess the provision, a covering report (with financial implications), for approval by the respective Executive Manager, must be drafted to include, inter alia, the following

- 7.5.1.1 The Consultant Assessment (Referred to above); and
- 7.5.1.2 The funding required.

7.6 Once approved, a virement must be prepared to transfer the funds to the requesting department's budget within the vote or sub-vote

7.7 Each Department must develop and maintain a consultancy reduction plan to reduce the reliance on consultants.

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

7.9 All engagements with consultants should be undertaken in accordance with the municipality's supply chain management Policy and the Municipal Supply Chain Regulations, 2005.

7.10 The performance of the consultant shall be appropriately recorded, monitored and evaluated based on the specifications, schedule and milestones in terms of section 116 of the Act.

7.11 The Specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and the performance must be appropriately monitored and recorded.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

8.1 The threshold limit for vehicle purchases relating to official use by political office – bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package in line with the grade of the municipality 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 section 8.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through the normal procurement mechanisms.

- 8.3 If any procurement process other than the transversal contract is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as stipulated in 8.2, the Accounting Officer must provide the council with information relating to the following criteria that must be considered:
- 8.4.1 Status of current vehicles
 - 8.4.2 Affordability of options to procure a vehicle as compared to rental or hire
 - 8.4.3 Extent of service delivery backlogs
 - 8.4.4 Terrain for effective usage of vehicle
 - 8.4.5 Any other policy of council
- 8.5 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometres.
- 8.6 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometres only in instances where the vehicle experiences serious mechanical problems and is in a poor condition as confirmed by a detailed mechanical report provided 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 An Accounting Officer:
- 9.1.1 May only approve the purchase of economy class tickets for officials and political office bearers where the flying time for a flight is five (5) hours or less. and
 - 9.1.2 For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for officials, political office-bearers and persons reporting directly to Accounting Officer.
- 9.2 In the case of the Accounting Officer, the Executive 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 clause 9.1, an accounting officer, or the mayor in the case of accounting officer, may approve the purchase of 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 shall, only be approved if it is considered critical, and only the officials that are directly involved with the subject matter shall be allowed to attend the meeting or event.

9.5 Officials or a political office bearer of the municipality must:

- 9.5.1 Utilize the municipal fleet, where viable, before incurring costs to hire vehicles while traveling locally.
- 9.5.2 Make use of a shuttle service if the cost of such a service provider is lower than:
 - 9.5.2.1 the cost of hiring a vehicle.
 - 9.5.2.2 the cost of kilometres claimable by the employee; and
 - 9.5.2.3 the cost of parking.
- 9.5.3 not hire vehicles from a category higher than Group B. and
- 9.5.4 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.

9.6 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.

10. DOMESTIC ACCOMMODATION

- 10.1 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.
- 10.2 Overnight accommodation may only be booked where the return trip for the duration of the trip exceeds 500 kilometres.
- 10.3 An 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-
 - 10.3.1 during peak holiday periods; or
 - 10.3.2 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 guest in that particular geographical area.

11. CREDIT CARDS

- 11.1 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.
- 11.2 Where officials or public office bearers incur expenditure in relation to a preapproved official municipal activity, such officials or public office bearers must use their personal credit cards or cash, and request reimbursement from the municipality in accordance with the written approved policy and processes of Council.

12. SPONSORSHIPS, 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 The Accounting Officer may incur catering expenses for the following, if the event exceeds five (5) hours:
- 12.2.1 Hosting of meetings.
 - 12.2.2 Conferences.
 - 12.2.3 Workshops.
 - 12.2.4 Courses.
 - 12.2.5 Forums.
 - 12.2.6 Recruitment interviews. and
 - 12.2.7 Council proceedings.
- 12.3 Expenses may not be incurred on alcoholic beverages.
- 12.4 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. The afore mentioned excludes service delivery community orientated social functions as defined in the IDP/Budget and SDBIP of the municipality.
- 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.
- 12.7 Meetings must, where possible, be structured in such a way that catering is not required.
- 12.8 Catering expenses shall require prior approval.
- 12.9 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. COMMUNICATION

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

- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 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.
- 13.5 Allowances to officials for private calls must be limited in line with the approved Municipal Telephone Policy.
- 13.6 Provision of branded diaries must only be limited to Secretaries and electronic diaries be utilized by other officials.
- 13.7 When placing adverts, MCLM will as far as possible use newspapers with a readership base predominately in the Krugersdorp geographical area and focus on newspapers targeted at the communities.
- 13.8 Paragraph 13.7 exclude adverts for the tenders and recruitment of personnel.
- 13.9 The advertisement must be in single colour as far as possible.

14. CONFERENCES, MEETINGS & STUDY TOURS

- 14.1 Appropriate Policy must be developed to govern applications by officials or political office bearers to attend conferences or events outside the borders of South Africa.
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials or political office bearers to conferences or events within and outside the borders of South Africa, the Accounting Officer must take the following into account:
- 14.3.1 The officials'/political office bearers' role and responsibilities and the anticipated benefits of the conference or event.
 - 14.3.2 Whether the conference or event will address the relevant concerns of the municipality.
 - 14.3.3 The appropriate number of officials and/or political office bearer(s) to attend the conference or event, not exceeding three officials; and
 - 14.3.4 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:
- 14.4.1 Conference or event registration expenses; and
 - 14.4.2 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 The benchmark cost for attendance of conferences is currently two thousand five hundred rand (R2,500) per person, including attendance by virtual means.
- 14.7 Conferences, workshops, meetings, etc. via webinars or any other virtual platform shall be approved by the relevant Executive Director.
- 14.8 To avoid unnecessary logistical costs, telephone and video conferencing facilities must be used, where possible.
- 14.9 Attendance of conferences will be limited to 1 (1) per annum with a maximum of two (2) delegates.
- 14.10 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.11 Municipal offices and facilities may be utilized for conferences, meetings, and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.12 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 14.13 Notwithstanding the above provisions, **each department shall be permitted to nominate and send at least one (1) official per financial year** to attend a conference, meeting, workshop, training event or study tour that is directly related to the functions and service delivery mandate of that department, subject to:
- **14.13.1** Availability of budget within the department.
 - **14.13.2** Approval by the relevant Executive Director, Chief Financial Officer and the Accounting Officer.
 - **14.13.3** Compliance with cost containment measures and the benchmark cost prescribed by **National Treasury**; and
 - **14.13.4** Submission of a report by the attending official outlining the benefits and knowledge gained from the event for institutional learning and improvement.

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, printing of agendas and brochures and other inducements as part of, or during the election periods or to fund any activities of any political party at any time.
- 15.3 Expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published in the Remuneration of Public Office Bearers Act, 1998.
- 15.4 The Municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.5 The Municipality 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 or Municipal Manager's Office.
- 15.6 The Municipality may, in line with the approved overtime policy consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant Executive Manager for consideration monthly. A motivation for all unplanned overtime must be submitted to the relevant executive manager.
- 15.7 To curb overtime costs line management must assess overtime and pursue the option of permanent shift coverage in areas where frequent excessive overtime costs are incurred.
- 15.8 Executive Management must manage their overtime needs in accordance to the Labour Relations Act and in alignment with the Basic Conditions of Employment Act.
- 15.9 Due processes must be followed when suspending or dismissing officials to avoid unnecessary litigation costs and Court Orders and Arbitration Awards sanctioned against, the Municipality.
- 15.10 Due processes are to be followed before deciding to suspend officials with pay. A suspended official with pay may not exceed three (3) months.
- 15.11 The Municipality may not contribute towards funeral costs for deceased officials or Political Office Bearers or pay for officials to attend the funeral services of deceased officials or Political Office Bearers.

16. ENFORCEMENT PROCEDURES

16.1 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 these stipulated herein will be 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.

16.2 Officials and Political Office Bearers who are found guilty of negligence or carelessness, resulting in the Municipality having suffered any financial losses will be held responsible and accountable for such losses.

16.3 Consequence measures will be applied in accordance with MCLM's Consequence Management Policy read with clause 20 of this Policy.

17. DISCLOSURES 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 referred to in sub-paragraph (17.2) must be copied to the National Treasury and relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION & REVIEW PROCESS

18.1 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.

18.2 The Accounting Officer is to communicate this Policy for application in MCLM to ensure adherence with the reporting procedures and requirements.

18.3 This policy be communicated on the municipality's website and set out-

18.2.1 Monitoring measures for ensuring implementation of the policy.

19. MONITORING MEASURES

19.1 The Quarterly Cost Containment Report must be discussed at the Administrative Senior Managers meeting, where the contents are discussed and noted.

- 19.2 Expenditure Division is to work with Budget and Treasury Division so that the report mentioned in sub-paragraph 19.1 details all costs that were incurred in contravention of the policy.
- 19.3 Each Executive Manager must put monitoring measures in place to ensure that the cost containment measures are strictly adhered to in their respective departments.

20. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- 20.1 Any person must report an allegation of non-compliance to the cost containment policy to the Accounting Officer of the municipality.
- 20.2 The Accounting Officer must investigate the allegations and if the allegations are found to be frivolous, speculative, or unfounded, terminate the investigations.
- 20.3 If the Accounting Officer determines the allegations are founded, a full investigation must be conducted.
- 20.4 After completion of a full investigation, submit a report to the Accounting Officer on:
- 20.4.1 Findings and recommendations; and/or
 - 20.4.2 Whether disciplinary steps should be taken against the alleged transgressor.
- 20.5 The Accounting Officer must table the report with recommendations to the municipal council.
- 20.6 Subject to the outcome of the council decision the Accounting Officer must implement the recommendations.

21. REVIEW PROCESS

- 21.1 This Policy will be reviewed at least annually, alongside the budget approval process, or when required by way of Council resolution, or when an update is issued by National Treasury.
- 21.2 Such a review will consider –
- 21.2.1 Any new/revised cost containment measures that should be applied.
 - 21.2.1.1 Quantum of cost containment achieved.
 - 21.2.1.2 Any impact of cost containment on service delivery
 - 21.2.1.3 Material outcomes of non-compliance investigations; and
 - 21.2.1.4 Alignment with other related policies of Council

22. SHORT NAME OF POLICY

- 22.1 This policy shall be called the **Cost Containment Policy** of Mogale City Local Municipality and will take effect as from the date the Municipal Council approves the Annual Budget.