**LEKWA – TEEMANE LOCAL MUNICIPALITY**

# COST CONTAINMENT POLICY

**POLICY NO:**

**APPROVED BY COUNCIL: 30 May 2025**

**IMPLEMENTATION DATE: 01 July 2025**

**TABLE OF CONTENTS** **PAGE**



## 1. PREAMBLE

1.1 The object of the Policy, in line with sections 62(1)(a), 78(1)(b), 95(a) and 105(1)(b) of the Local Government: Municipal Finance Management Act 56 of 2003 (MFMA), is to ensure that resources of the Municipality are used effectively, efficiently and economically by implementing the cost containment measures.

1.2 Each municipality must develop or revise and implement a cost containment policy which must be adopted by the municipal council as part of its budget related policies and must: (a) define a municipal objectives for the use of consultants; and (b) be consistent with the relevant legislation.

1.3 This Policy document also seeks to give effect to the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019 (Regulations), the National Treasury Instructions and MFMA Circulars applicable to Cost Containment.

1.4 The cost containment policy of a municipality contemplated in 1.2 supra must –

1.4.1 be in writing;
1.4.2 be reviewed annually, as may be appropriate;
1.4.3 be communicated on the municipality's website; and
1.4.4 set out – (a) monitoring measures for ensuring implementation of the policy; procedures for the annual review of the policy; and consequences for non-adherence to the measures contained therein.

1.5 The following measures must be implemented consistently and immediately to ensure the containment of costs, and will be updated if and when any revisions are done to the applicable legislation.

## 2. DEFINITIONS

In this Policy, unless the context indicates otherwise –

"**accommodation**" means the rental of lodging facilities while away from one's place of residence while on official business;

**“accounting officer**" means a person appointed in terms of section 82(l) (a) or (b) of the Local Government: Municipal Structures Act 117 of 1998;

“**after-hours services**” means a travel request that is actioned after normal working hours, i.e 17h00 to 8h00 on Mondays to Fridays and twenty-four (24) hours on weekends and public holidays;

"**approved budget**” means an annual budget-
(a) Approved by a municipal council, or
(b) Includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA;

“**authorising official**” means the official who has delegated authority in terms of the Institution’s approved delegations, to approve travel requests and expenses;

“**best price of the day**” means–
(a) for airline bookings: the lowest fare offered at the time of booking, provided that this fare is offered in conjunction with suitable travel times. Travel Bookers to take cognisance of airline discount agreements negotiated by National Treasury. Copies of the agreements can be obtained from the National Treasury contact person referred to in the Instruction.
(b) for accommodation bookings: the lowest rate available at suitable accommodation establishments within reasonable distance from place of duty. The travel booker will determine the most appropriate star rating, based on an assessment of the institution’s business requirements and total cost of travel (typically, accommodation rates plus transportation costs);

"**budget-related Policy**" means a policy of a municipality affecting or affected by the annual budget of the municipality, including-
(a) The tariff policy, which the municipality must adopt in terms of section 74 of the Local Government: Municipal Systems Act 32 of 2000;
(b) The rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or
(c) The credit control and debt collection policy, which the municipality must adopt in terms of section 96 of the Municipal Systems Act.

"**Budget Year**" means the financial year of the municipality for which an annual budget is to be approved in terms of section 16(1) of the MFMA;

“**Chief Financial Officer**” means a person designated in terms of section 80(2) (a) of the MFMA;

**“Council”** means the municipal council of Lekwa Teemane Local Municipality.

**“Councillor”** means a member of Council.

**"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 a municipality or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

**“Cost Containment”** means measures implemented to curtail spending in terms of the Regulations.

"**Current year**" means the financial year, which has already commenced, but not yet ended;

**“Delegated Authority”** means any person or committee delegated with authority in terms of legislation, regulatory framework and/or Lekwa TeemaneLocal Municipality’s System of Delegations Policy.

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

"**Financial year**" means a twelve months period commencing on 1 July and ending on 30 June each year

“**incidental expenses**” means minor expenditures associated with business travel. These expenses comprise an immaterial part of the travel and entertainment costs that a person might incur. These expenditures are usually paid by the traveller since they are so small and are covered by the subsistence allowances under normal circumstances. Examples of these expenses are gratuity for table and room service, reading matter, private telephone calls, liquid refreshments which do not form part of the Meals and any similar minor expense;

"**institution**" means a national or provincial department, constitutional institution (Schedule 1 of the PFMA), national or provincial public entity (Schedule 3A & 3C of the PFMA), government business enterprise (Schedule 3B & 3D of the PFMA), trading entity, and any other national or provincial government component;

"**liquid refreshments**" means any drink and includes, inter alia, coffee, tea, sodas, bottled water, and fruit juices, but excludes any alcohol or spirits, malt or related substances;

"**meals**" means breakfast, lunch and dinner and include any liquid refreshments;

**"Municipality"** means Lekwa Teemane Local Municipality, a municipality established in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).

**"official business"** means the authorised performance of the institution's functions in terms of its mandate and strategic, operational and performance plans;

**"Official"** means, an employee of the municipality or municipal entity, a person seconded to the municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee.

**"Political Office Bearer"** means the speaker, mayor, chairperson of a section 79 committee, sub-council chairperson, and chief whip 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).

"place of duty" means the place, other than the place of work, where the official performs official business or is otherwise on duty, e.g. an external meeting venue, conference venue or workshop;

“place of work” means the place of work identified in the official’s contract of employment;

“reasonable actual expenses” means essential and inevitable expenses which are inexpensive, moderate and agreeable;

**“Regulations”** means the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019. When the term is used in singular, it refers to an individual section/article in the Regulations.

“subsistence allowance” means any allowance paid by the institution to the official for expenses incurred or to be incurred in respect of personal subsistence and incidental expenses;

“traveller” means a person travelling at the behest of the Institution on official business;

“travel advance” means a sum of money paid to an official prior to an official business trip. An advance would typically cover reimbursable expenses such as meals, transportation, lodging, and incidental items;

“travel allowance” is any allowance paid or advance granted by the Institution to the official for the use of his or her private motor vehicle for the Institution’s business purposes; and

“travel expenses” means expenses incurred by a traveller while he/she is on an Official Business trip. Examples of travel expenses may include expenses for accommodation, transportation and meals.

## 3. INTRODUCTION

3.1 Each municipality is required in terms of Regulation 4 to develop and adopt a cost containment policy, which must be published on its website. Council must review the Policy annually as appropriate, and in particular as part of monitoring compliance.

3.2 The purpose of this Policy is to direct the Municipality on cost containment measures that must be implemented in an effort to ensure that resources of the Municipality are used effectively, efficiently, and economically.

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

## 4. APPLICATION OF POLICY

This Policy applies to the accounting officer, all officials, political office bearers and all councillors of the Municipality.

## 5. OBJECTIVES

5.1 To ensure that the resources of the Municipality are used effectively, efficiently, and economically;

5.2 To implement, monitor and reduce spending in areas as determined within this Policy; and

5.3 To eliminate wastage

## 6. REGULATORY FRAMEWORK

6.1 This Policy must be read in conjunction with:

6.1.1 Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
6.1.2 The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) – Municipal Cost Containment Regulations, 2019;
6.1.3 Lekwa Teemane Municipal By-Laws and Policies;
6.1.4 Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998);
6.1.5 Municipal Supply Chain Management Regulations, 2005 (SCM Regulations); and
6.1.6 Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

## 7. USE OF CONSULTANTS

7.1 A needs and requirement assessment must be conducted and confirm that the Municipality does not have the requisite skill or resources in its full time employ prior to the appointment of an external consultant.

7.2 Regulation 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. The reasons for the use of the Consultants must be motivated by the Senior Manager concerned and endorsed by the Accounting Officer, in writing.

7.3 The accounting officer and the SCM unit must ensure that all consultants are appointed in line with the Municipality's SCM Policy and other applicable legislative and regulatory framework.

The accounting officer must ensure an appropriate and lawful approval method for appointment of consultants.

7.4 When contracting with consultants, a cheapest and most efficient cost method must be preferred:

7.4.1 Where a time and cost method is used, pre-agreed start and end times must be stated.

7.4.2 Where an output-specified method is used, specific measurable objectives and associated remuneration must be stated.

7.4.3 Avoid surprising or unplanned expenditure ensuring that the contract price is inclusive or exclusive of travel and subsistence disbursements;

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

7.4.5 The Accounting Officer must develop a fair and reasonable remuneration framework for consultants, which must be adopted and implemented in consideration as far as possible with applicable guideless, and in particular those provided by:

6.5.5.1. Auditor-General of South Africa (AGSA);
6.5.5.2. Department of Public Service and Administration (DPSA);
6.5.5.3. South African Local Government Association;
6.5.5.4. Regulatory bodies the various consultants belong to; and
6.5.5.5. Any other applicable body, institution, research institution.

7.5 The specifications and performance must be used as monitoring tool.

7.6 The accounting officer must endeavour to negotiate reduction of quoted prices as the law allows and ensure that the right to do so is included any tender documents.

7.7 The accounting officer of the Municipality must develop as well as ensure the implementation of and monitoring of a consultancy reduction plan to reduce reliance on consultants' overtime and with clear targets.

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

7.9 The accounting officer must ensure transfer of skills by consultants to the relevant officials of a municipality by a prior agreement with consultant and as far as possible without further cost to the Municipality.

7.10 The national travel policy of the National Department of Transport must be complied with in respect of any payment or reimbursement of consultants for travel and subsistence, unless costs are lower than that policy.

## 8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

8.1 Regulation 6(1)-(6) provides for the conditions and purchases of vehicles used for political office-bearers and must be duly considered and given effect by the relevant directorate.

8.2 As part of demand management, market research must first be conducted taking into account the National Government transversal contract and must use the transversal contract mechanism to procure vehicles in order to realise the actual cost savings already negotiated under the contract if this is the cheaper option after all associated costs have been taken into account (the most cost-effective option must be exercised).

8.3 Vehicle for political office bearers must not exceed R700 000 or 70% (VAT inclusive) of the total annual remuneration package for that public office bearer as determined by the Minister responsible for local government from time to time in terms of the f the Remuneration of Public Office-bearers Act, 1998.

8.4 Vehicle for official use by political office bearers may only be replaced after 120 000 kilometres, subject to the accounting officer’s or delegated official’s assessment reports on the condition of the vehicle. In such a case if the vehicle has a serious mechanical problem and is in a poor condition, a detailed mechanical report by the vehicle manufacturer or approved dealer must be obtained.

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

8.6 Before purchasing any vehicles, the accounting officer or delegated official must provide Council with the following information which must be considered:

8.6.1 Current status of vehicles;
8.6.2 Affordability options including whether to purchase or rental or hire;
8.6.3 Extent of service delivery backlogs;
8.6.4 Terrain for effective use of the vehicle; and
8.6.5 Any other policy of Council.

8.7 In addition, consideration must be given to the Municipality’s fleet and procurement strategy, including service and maintenance options and requirements.

8.8 Regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometres.

8.9 Notwithstanding 8.8 supra, a municipality may replace a vehicle for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

## 9. USE OF MUNICIPAL VEHICLES

9.1 Municipal vehicles will only be used for authorized and essential municipal business.

9.2 Employees driving municipal vehicles will ensure that the logbook provided for the vehicle, is properly completed after every trip. Logbooks will be returned to the Departmental head or their designate or any designated person after each trip.

9.3 Municipal vehicle will not be taken home except with the written authority of the Departmental head or their designate.

9.4 Only Municipal employees on official duty and work related can be carried as passengers in municipal vehicles. In instances where private passengers are transported, such be authorised and the necessary indemnity forms must be completed.

9.5 Employees or any authorised person must have a duty to take reasonable steps to keep municipal vehicles in a clean, safe and roadworthy state at all times.

9.6 Departmental heads or their designate must carry out monthly inspections of the municipal vehicles to ensure reasonable care of them

9.7 All municipal vehicles must be driven with due care at all times.

9.8 No intoxicating liquor can be consumed whilst in charge of a municipal vehicle.

## 10. TRAVEL AND SUBSISTENCE

10.1 Regulation 7(1) applies and must be read together with the Municipality’s traveling and subsistence policy and the completion of travelling request templates.

10.2 The accounting officer may approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five (5) hours or less.

10.3 If the flying hours exceed five (5) hours, the purchase of a business class ticket may only be approved for the accounting officer, political office bearers and persons reporting directly to the accounting officer. In the case of the accounting officer, the approval is made by the mayor.

10.4 The accounting officer or the mayor, as the case may be, may make special arrangements for travel by a person with disabilities.

10.5 The international travelling for meetings or events must be considered critical to be approved. The officials and political office bearers traveling for such a meeting or event must be limited to those directly involved in the subject matter.

10.6 International travel must be identified and motivated with justification that the meeting/event is critical and in the interest of the Municipality.

10.7 An official or political office bearer must:

(a) utilise 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 is lower than:
  (i) the cost of hiring a vehicle; or
  (ii) the cost of kilometres claimable by the official or political office bearer; and/or
  (iii) the cost of parking.

10.8 Where a car hire option is decided on, Group B vehicles must be hired. However, officials travelling in groups of more than five (5) people may hire a larger vehicle than allowed for as this would be more cost effective, subject to the written approval of the accounting officer. Further, if a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, written approval of the accounting officer must be sought and obtained before hiring the vehicle.

10.9 To avoid unnecessary travelling and subsistence costs, telephone or video conferencing facilities must be preferred and used where viable.

10.10 A municipality or a municipal entity must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury.

10.11 In general, cheaper flights and accommodation must be preferred.

## 11. DOMESTIC ACCOMMODATION

11.1.1 Regulation 8(1)-(2) applies and must be read together with the Municipality's travelling or accommodation policy, and delegations systems.

11.1.2 Overnight accommodation may only be booked where the total travel (return trip) exceeds 500 kilometres.

11.2 The relevant delegated authority may approve accommodation costs that exceed an amount as determined from time to time by National Treasury under the following circumstances, only–

11.2.1 during peak holiday periods, or

11.2.2 when major local or international events are hosted in that particular geographical area resulting in an abnormal increase in the number of local/international guests in that particular geographical area.

11.2.3 When an event exceeds one day and where the travel does not exceed 500 kilometres per day, the delegated authority may authorise overnight accommodation, should such alternative result in the most suitable and reasonable outcome for the attendee.

## 12. CREDIT CARDS

12.1 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 political office bearer.

12.2 Where officials or office bearer incur expenditure in relation to official municipal activities, such official or office bearer must use their personal credit cards or cash and request reimbursement subject to the submission of the relevant proof to the Municipality in accordance with approved policy processes and where pre-approval was made by the accounting officer or the delegated authority.

## 13. SPONSORSHIPS, EVENTS & CATERING

Subject to systems of delegations and the relevant municipal policies:

13.1 The Municipality may not incur catering costs for meetings attended which are only attended by persons in the employ of the municipality without the prior written approval of the accounting officer.

13.2 The accounting officer may incur catering costs where meetings conferences, workshops, courses and forum, recruitment interviews and proceedings of council exceed five hours.

13.3 The Municipality must not spend money on entertainment unless Council adopts an entertainment policy. Such policy must indicate circumstances in which and limits within which municipal funds may be used for entertainment. In any event, entertainment for qualifying officials may not exceed R2000.00 per financial year unless approved otherwise by the accounting officer.

13.4 The Municipality may not incur expenses for alcoholic beverages unless the Municipality recovers the cost from sale of such alcoholic beverages or is otherwise sponsored.

13.5 Social events, year-end functions, team building exercises and budget vote dinners must not be financed from the Municipality’s budget or any supplier or sponsors.

13.6 Corporate branded items, at the expense of the Municipality, shall only be permitted if the use thereof is an integral part of the Municipality's business model.

13.7 Expenditure to host farewell functions in recognition of officials who retire after serving the Municipality for 10 (ten) or more years or retire on grounds of ill health may not exceed a total cost of ___________________________(VAT included).

13.8 Expenditure on any honorarium in recognition of officials who pass the milestone of 10 (ten) or more years in full-time employ of the Municipality may not exceed a total cost of ___________________________(VAT included).

## 14. COMMUNICATION

Regulation 11 applies subject to the relevant approved policy:

14.1 The accounting officer must ensure that allowances for private calls and data costs are limited to an amount determined by Council on an annual basis.

14.2 The Municipality may, as far as possible, advertise municipal related events on its website where viable instead of advertising in magazines or newspapers, unless the law specifically requires otherwise.

14.3 When placing adverts, the Municipality will as far as possible only use newspapers with a readership base predominantly in the Municipality's geographical area and focus on newspapers targeted at the communities.

14.4 The advertisement must be in single colour as far as possible.

14.5 Despite Regulation 11(3), newspaper and other related publications will be available where it is the most effective and efficient format in the interest of the reader, based on personal professional preference / needs.

## 15. CONFERENCES, MEETINGS AND STUDY TOURS

In terms of Regulation 12: -

15.1 The attendance of conferences or events hosted within and outside the borders of South Africa by professional bodies must be approved in writing by the accounting officer taking into account their merits and benefit to the municipality and the provisions of Regulation12(2).

15.2 The accounting officer must grant approval for officials, and in the case of political office bearers and the accounting officer, the mayor grants the approval.

15.3 The Municipality must endeavour to hold meetings and planning sessions in-house were practically possible.

15.4 Early bird registration discount opportunities must be taken advantage of. If an early bird discount opportunity has been missed, reasons for missing it must be included in the request.

15.5 To avoid unnecessary logistical costs, telephone and video conferencing facilities must be used, where possible.

## 16. OTHER RELATED EXPENDITURE ITEMS

In terms of Regulation 13-: -

16.1 Transversal contracts concluded by National Treasury must be considered prior to the municipality approaching the market to enjoy savings, lower prices negotiated therein for all commodities, products and services being procured.

16.2 Municipal funds may not be used to fund political campaigns, clothing, food, brochures as part of inducement of, or during election periods or to fund any political activities.

16.3 To curb overtime costs line managers must assess overtime and pursue the option of permanent shift coverage in areas where frequent/excessive overtime costs are incurred.

16.4 The Municipality must avoid expenditure on elaborate and expensive office furniture.

16.5 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.

16.6 The accounting officer must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

## 17. COST CONTAINMENT MEASURES AND DISCLOSURES THEREOF

17.1 The accounting officer must develop and implement a Cost Containment Implementation Framework, with clear targets and roles for senior and line managers, and report to Council on same on a quarterly basis.

17.2 Cost containment measures adopted must be included in the municipal budget reports.

17.3 Costs saved as a result of the implementation of costs containment measures must be disclosed in the annual report every year.

17.4 The implementation measures of this Cost Containment Policy, aggregate amounts saved must be submitted to the Municipal Council for review and resolution quarterly. Council may refer the reports to the relevant Council Committee for further recommendations and action.

17.5 The report referred to above must be submitted to National Treasury and the Provincial Treasury within seven calendar days after the report is submitted to Council.

## 18. IMPLEMENTATION AND COMMUNICATION OF THE POLICY

18.1 The accounting officer is to communicate this policy to all employees, officials, political office bearers and councillors of the Municipality to ensure adherence with the reporting procedures and requirements.

18.2 The accounting officer must monitor implementation and compliance with this policy by all employees, officials, political office bearers and councillors of the Municipality.

## 19. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

19.1 Any person must report an allegation of non-compliance with this Policy to the accounting officer. In the case that the accounting officer is involved in non-compliance or does not act appropriately on any non-compliance reported, the matter may be reported to Council.

19.2 The accounting officer must consider the allegations and determine whether to investigate same. In the case that the accounting officer being involved in non-compliance or does not act appropriately on any non-compliance reported, Council must consider the allegations and determine whether to investigate same.

19.3 If the accounting officer or Council, as the case may be, determines the allegations are of a serious nature, a full investigation must be conducted by a relevant body as determined by the accounting officer or Council, as the case may be.

19.4 After completion of a full investigation by the relevant body, a report on the investigation outcome must be compiled and submitted to the accounting officer on:

19.4.1 findings and recommendations; and

19.4.2 whether disciplinary steps should be taken against the alleged transgressor.

19.5 The accounting officer must table the report with recommendations to the Council.

19.6 Subject to the outcome of the Council decision the accounting officer must implement the recommendations.

19.7 Where failure to implement or comply with this Policy may or amounts to a financial misconduct and/or financial offences as set out in Chapter 15 of the Local Government: Municipal Finance Management Act, 2003 read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014, the matter must be dealt with in terms of the Municipality's Consequence Management Policy.

## 20. REVIEW PROCESS

20.1 This Policy must be reviewed annually, alongside the budget approval process, or when required by way of Council resolution, or when an update is issued by National Treasury. Such a review will consider, *inter alia*: –

(a) any new/revised cost containment measures that should be applied;
(b) quantum of cost containment achieved;
(c) material outcomes of non-compliance investigations;
(d) improvements to the Policy; and
(e) alignment with other related policies