

MORETELE LOCAL MUNICIPALITY



FINAL COST CONTAINMENT POLICY FINANCIAL YEAR 2025-2026

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1. PRE- AMBLE

Whereas Section 62(1)(a) of the Municipal Finance Management Act No. 56 of 2003 (MFMA) stipulates that the accounting officer of a municipality is responsible for managing the financial administration of a municipality and must for this purpose take all reasonable steps to ensure that the resources of the municipality are used effectively, efficiently, and economically.

Furthermore, in terms of the legal framework, municipal councils and accounting officers should institute appropriate measures to ensure that the limited resources and public funds are appropriately utilised to achieve value for money.

“Accounting Officer” means the Accounting Officer appointed in terms of Section 82 of the Local Government: Municipal Structures Act, 117 of 1998 and being the head of administration and Accounting Officer in terms of Section 55 of the Local Government: Municipal Systems Act, 32 of 2000 as well as Section 60 of the Local Government: Municipal Finance Management Act, 56 of 2003.

“Act” means the Local Government: Municipal Finance Management Act, 56 of 2003.

“Approved budget” means an annual budget (original or an adjustments budget) referred to in Section 15 of the Act approved by the Municipal Council in terms of Sections 24 and 28 of the Act.

“Chief Financial Officer” means an official designated by the Accounting Officer as the Chief Financial Officer in terms of Section 80(2)(a) of the Act.

“Financial Year” means the twelve (12) month period between 1 July and 30 June of the following year.

“Senior manager” means a person appointed by Council in terms of Section 56(a) of the Act as a manager directly accountable to the Accounting Officer

2. OBJECTIVE OF THIS POLICY

2.1.1. Moretele Municipality wishes to achieve the following objectives by adopting this Cost Containment Policy:

2.1.1.1. To assist the Accounting Officer to ensure that adequate policies and procedures are in place to ensure an effective system of financial control.

2.1.1.2. To enable the Chief Financial Officer to advise the Accounting Officer and to assist senior managers in the exercising of powers and duties assigned to them in terms of Section 78 or delegated to them in terms of Section 79 of the Act.

2.1.1.3. To provide guidelines to the Accounting Officer and senior managers implement cost containment measures in line with National Treasury Circular 97.

3. COST CONTAINMENT PRINCIPLES

Moretele Municipality wishes to record that the following measures must be implemented, consistently with immediate effect to ensure the containment of costs: -

3.1. Engagement of consultants

3.1.1. Accounting Officers must only contract with consultants after a gap analysis report has confirmed that the municipality does not have the requisite skills or resources in its permanent employment to perform the services required.

3.1.2. Evidence of acute planning of the project must be visible to all relevant persons.

3.1.3 Consultants, including construction and infrastructure related services, must only be remunerated at the rates equal to or below those:

3.1.3.1. determined in the “Guidelines on fees for audits done on behalf of the Auditor-General South Africa”, issued by the South African Institute of Chartered Accountants (SAICA);

3.1.3.2. set out in the “Guide on Hourly Fee Rates for Consultants”, or

3.1.3.3. Prescribed by the body regulating the profession of the consultant.

3.1.3.4. Set out in the ACSA (South African Council for the for the Engineering Profession Act)

3.1.4. Ensure an exacting “specification” of the work to be accomplished accompanies the tender and is used as a monitoring tool are appropriately recorded and monitored.

3.1.5. Ensure that contracts for consultants include penalty clauses for poor performance and in this regard, against the above specification, accounting officers must invoke such clauses, where deemed necessary.

3.1.6. Accounting officers must appoint consultants on a time and cost basis with specific start and end dates.

3.2. Travel And Subsistence for Consultants

3.2.1. Kilometers claimed for the use of private vehicles may not exceed the rates approved by the National Department of Transport, as updated from time to time.

3.3. Travel And Subsistence for Moretele Local Municipality Employees

(Read together with clause 6.9 of the S&T policy)

3.3.1 Officials and Councilors receiving travel allowances should not make use of Municipal vehicles.

3.3.2 Two or three officials/councillors attending a similar gathering should travel together.

3.3.3 In the event different vehicles are used, only one vehicle will be reimbursed as agreed by officials/councilors travelling together.

3.3.4 Kilometers travelled will be reimbursed subject to reasonability. Should the kilometres claimed be more than 500km, the difference won't be paid, only kilometres from the municipality office to the destination will be considered.

3.3.5 If the workshop or training is within South Africa and a physically handicapped travellers who are only able to drive a particular type of vehicle and those in possession of a driver's license restricted to automatic vehicles: They are allowed to use their suitable vehicle.

3.4. Air Travel

3.4.1. business class is not allowed, however where a single flight exceeds 5 hours, consideration may be applied.

3.4.2. Accounting officers of municipalities and municipal entities are advised to include a clause in their respective documents that travel agencies are only permitted to make booking arrangements on behalf of municipalities in line with this Circular. Current arrangements need to be updated and amended to reflect these changes.

3.4.3. Disabled persons can be accommodated in economy class, however, in extremely exceptional and rare cases an Accounting Officer may approve, with evidence, other than economy class air travel.

3.5. Domestic Hotel Accommodation

(Read together with clause 6.13 of the S&T policy)

3.5.1 The actual cost of accommodation will be borne by the municipality, subject to a **maximum of R1700 (including VAT)** for the accommodation itself in respect of domestic travel. Where such accommodation is available, the rate for a single room will be payable.

3.5.2 Bookings for accommodation should not be done when single trip is **less than 250km** and duration of event is one day.

3.5.3 Bookings should not be done when the gathering of any form **starts from 9H00** or later, duration of event is one day, and the single trip is **less than 250km**.

3.5.4 Bookings should not be done when the gathering **ends at 15H00 or earlier**, duration of event is one day, and the single trip is **less than 250km**.

3.5.5 Accommodation costs are assumed to be inclusive breakfast and bedroom.

3.5.6 Maximum amounts as per S&T policy can be claimed for meals.

3.5.7 The claim for the actual amounts must be supported by a receipt.

3.6. Vehicle Hire

(Read together with clause 6.9 of the S&T policy)

3.6.1 Notwithstanding the provisions above, all employees must make use of shuttle services if the cost of such a service is below the cost of hiring a vehicle. Accounting officers must also consider making use of shuttle services if the cost of kilometres claimable by the employee and the cost of parking are higher than the shuttle services.

3.6.2 Category below Group B or an equivalent class. Accounting officers may permit employees to accept up-graded group of hired vehicles if such an up-grade is offered for free or at a lower charge than Group B.

3.6.3 Vehicle travel claims by employees of municipalities must be restricted to the actual distance travelled more than the normal distance from the employee's residence to his or her place of work or as may be negotiated using a motor vehicle allowance scheme.

3.7. Catering Costs

3.7.1. No catering expenses for any meetings where only municipal officials are in attendance.

3.7.2. The accounting officer may incur catering expenses for the following, provided that the meeting lasts for five (5) continuous hours or more:

3.7.2.1. The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings.

3.7.2.2. Meetings related to commissions or committees of inquiry; or

3.7.2.3. Meetings hosted by municipal councils and the board of directors of municipal entities, including governance committee meetings.

3.7.3 Do does not incur expenses on alcoholic beverages.

3.7.4 The team building and social functions, including year-end functions, are not financed from the municipal budgets or by any suppliers or sponsors.

3.7.6. Accounting officers and accounting authorities may not host farewell functions for employees who have:

3.7.6.1. been dismissed.

3.7.6.2. elected to resign or leave by accepting severance packages; or

3.7.6.3. Approached the end of their contractual term.

3.8. Events, Advertising and Sponsorship

3.8.1 To eliminate the wasteful expenditure on events, advertising in magazines, television, newspapers the municipality will use cost-effective means by using the municipal websites to market the institution or properly publicize the matters or events under consideration.

3.8.2 Memorabilia, gifts and other novelties should be of token value only and should only be offered by municipalities in order to acknowledge support or a visit or attendance by a dignitary in connection with a benefit to the local community; to reciprocate the giving of a similar token gift by another organisation; or similar but in all cases, there must be an identifiable benefit to the community.

3.8.3 No unnecessary expenditure will be approved on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, cruises, lavish functions, and extraordinary costs associated with visits of dignitaries or induction of new councilors. (To be discussed)

3.9. Conferences, Meetings, Study Tours, Etc.

3.9.1 Employees of municipalities may attend conferences hosted by professional bodies or non-governmental institutions (external conferences) held within the borders of South Africa provided that expenses related to their attendance do not exceed two thousand five hundred ***rand (R2 500) per person per day.***

3.9.2. In instances where the cost exceeds this amount, officials must obtain prior approval from the accounting officer. The number of municipal officials attending such conferences and workshops must be limited to Three (3) officials per department.

3.9.3. Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable.

3.9.4. Utilise municipal and/or provincial office facilities for conferences, meetings, strategic planning sessions etc. where an appropriate venue exists within the municipal jurisdiction.

3.9.5 The number of employees travelling to conferences or meetings on official duty for the same matter is limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

3.9.6 Similar to the above, the number of employees travelling by air to other centres to attend an official engagement on the same matter is also limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

3.10. Office Furnishing

3.10.1 The new furniture will be provided under the following circumstances.

3.10.1.1. After Internal Approval via a Motivation Memo: The Accounting Officer or delegated official must approve a motivation memo justifying the need, linking it to operational demands and cost-effective implementation.

3.10.1.2. When the procurement of furniture has been budgeted as part of procurement plan, and

3.10.1.3. when the request is supported by Asset Management Assessments through the conduct of internal asset condition assessment that shows the need to replace irreparable furniture.

3.11. Staff Study, Perks and Suspension Costs

3.11.1 Training attended by employees and councillors of municipalities may only be attended at pre-approved service providers to ensure sufficient quality of training and obtain value for money.

3.11.2 Expenditure associated with overseas study tours by councillors is not allowed.

3.11.3 Time off to make up for overtime worked.

3.11.4 Planned overtime must be submitted to management for consideration monthly.

3.11.5 Unplanned overtime worked must be motivated and approved by the relevant Director and Accounting officer.

3.11.6 Costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.

3.11.7 Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

3.12. Professional Body

3.12.1 Employees may not attend conferences that they are not members of, this is due to high prices charged on non- members of professional bodies.

4. COST CONTAINMENT ON OTHER RELATED EXPENDITURE ITEMS

4.1. The Accounting officer will have designated as transversal contracts are utilised to benefit from savings where lower prices or rates have been negotiated.

4.2. Municipal funds may not be used to fund election campaign activities, including the provision of supporting material, clothing, food, inducements to vote either as part of, or during election rallies.

4.3. Printing will be back-to-back and use of colour printing for graphs only, while use of electronic means should be preferred.

4.4. All agendas will be availed electronic format for both officials and councillors.

4.5. The limiting of private call will be as per the CFO negotiated price with the network providers.

4.6. Labour saving devices should be shared to optimize the capacity utilization of each device.

4.7. Purchasing of newspapers and other publications for municipal employees is not allowed.

4.8. Air-conditioning and lights in buildings must be switched off at night and when offices are not in use.

5. DELEGATIONS

5.1. The approval of virements will be done in terms of the approved Virement policy and the System of delegations of Council.

5.2. Any official acting in a position of a senior manager, the Chief Financial Officer and the Accounting Officer will have the delegated powers to authorise or approve virement applications.

6. IMPLEMENTATION OF THE POLICY

5.1. The policy will be effective as from 1 July 2025. This policy is to be reviewed annually and approved by Council together with the adoption of the MTREF for the following year.