



UGU DISTRICT MUNICIPALITY

Policy Custodian	Budget and Treasury Office
Policy Name	Cost Containment Policy
Policy Number	5/21/P/1
Status	Adopted
Date	2024/25FY
Approved by	Council
Date First Approved	11 June 2020
Date Last Approved	29 May 2025
Date for Next Review	2025/2026FY

Contents

PREAMBLE	3
1. INTRODUCTION	3
2. DEFINITIONS.....	3
3. POLICY OBJECTIVES	3
4. PRESCRIPTIVE/LEGAL FRAMEWORK	4
5. POLICY APPLICATION.....	4
6. POLICY PRINCIPLES.....	4
7. USE OF CONSULTANTS	4
8. VEHICLES USED FOR POLITICAL OFFICE BEARERS	5
9. TRAVEL AND SUBSISTENCE	6
10. DOMESTIC ACCOMMODATION	7
11. CREDIT CARDS	7
12. SPONSORSHIPS, EVENTS AND CATERING	8
13. COMMUNICATION	8
14. CONFERENCES, MEETINGS AND STUDY TOURS	8
15. OTHER RELATED EXPENDITURE ITEMS	9
16. MONITORING AND EVALUATION	10
17. COMMENCEMENT OF THE POLICY	10
18. AMENDMENT AND/OR ABOLITION	10
19. COMPLIANCE AND ENFORCEMENT	10
20. POLICY REVIEWAL	10



Cost Containment Policy

PREAMBLE

This cost containment policy give effect to regulation 4 of the Cost Containment Regulations gazette by National treasury on 7 June 2019 in Gazette Number 42514 in terms of section 168(1) of the Local Government Municipal Finance Management Act, 2003 (Act no56 of 2003) (MFMA).

The objective of this policy is to ensure that resources of the municipality are used effectively, efficiently, and economically by implementing cost containment measures as envisaged in sections 62(1)(a), 78(1)(b), 95(a) and 105(1)9b) of the MFMA.

1. INTRODUCTION

Cost containment has become a key priority for government in ensuring that unnecessary spend is curtailed and that resources are channeled towards efficient and effective service delivery. It is therefore imperative that the Ugu District Municipality complies with the set prescripts.

2. DEFINITIONS

- | | | |
|-----|------------------|---|
| 2.1 | Cost containment | :the measures used to curtail spending in terms of this policy |
| 2.2 | 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 perform its functions to achieve the objects of local government in terms of Section 152 of the Constitution |

3. POLICY OBJECTIVES

The objectives of this policy are as follows:

- | | |
|-----|---|
| 3.1 | Provide a framework for budget re-prioritization and implementation of cost reduction measures in order to free funds from non-essential activities towards key service delivery mandates |
| 3.2 | To ensure efficient and effective expenditure of the Ugu District Municipality |
| 3.3 | To ensure uniformity in terms of the application of the policy in the Ugu District Municipality |

4. PRESCRIPTIVE/LEGAL FRAMEWORK

Ugu District Municipality's Cost Containment Policy has been developed with recognition of the following prescriptive context – within which it needs to comply:



Cost Containment Policy

- The Local Government Municipal Finance Management Act, Act No 56 of 2003, Circular 82, published 7 December 2016
- The Local Government Municipal Finance Management Act, Act No 56 of 2003, Circular 97, published 31 July 2019
- Municipal Cost Containment Regulations, 2019
- Ugu District Municipality's Supply Chain Management Policy and Procedures;
- Ugu District Municipality's Integrated Development Plan;
- The Local Government Municipal Systems Act, Act No 32 of 2000;
- Travel Policy
- Facilities Management Policy
- Hours of Work Policy
- Fleet Management Policy

5. POLICY APPLICATION

This Policy is applicable to all officials and political office bearers, both future and present, of the Ugu District Municipality

6. POLICY PRINCIPLES

This Policy will apply expenditure and procurement of the following goods and services:

- a) Use of consultants
- b) Vehicles used for political office bearers
- c) Travel and subsistence
- d) Domestic accommodation
- e) Credit cards
- f) Sponsorships, events and catering
- g) Communication
- h) Conferences, meetings and study tours
- i) Any other related expenditure items

7. USE OF CONSULTANTS

- 7.1 The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not possess the requisite skills or resources in its full-time employ to perform the required function to be carried out by the consultant
- 7.2 An accounting officer must adopt a fair and reasonable remuneration framework for consultants taking into account the rates-
 - (a) determined in the "Guideline on fees for audits undertaken on behalf of Auditor-General of South Africa", issued by the South African Institute of Chartered Accountants;



Cost Containment Policy

(b) set out in the “Guide on Hourly Fee Rates for Consultants”, issued by the Department of Public Service and Administration; or

(c) as prescribed by the body regulating the profession of the consultants.

- 7.3 The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in 7.2
- 7.4 When negotiating cost-effective consultancy rates for international consultants, the accounting officer may take into account the relevant international and market-determined rates.
- 7.5 When consultants are appointed the accounting officer must-
- (a) appoint consultants on a time cost basis with specific start and end dates;
 - (b) where practical, appoint consultants on an output-specified basis, subject to specific measurable objectives and associated remuneration;
 - (c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence disbursements;
 - (d) ensure the transfer of skills by consultants to the relevant officials of a municipality;
 - (e) all engagements with consultants must be in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality’s Supply Chain Management Policy; and
 - (f) develop consultancy reduction plans to reduce the reliance on consultants.
- 7.6 All contracts with consultants must include a fee retention or penalty clause for poor performance.
- 7.7 the specifications and performance of consultants must be used as a monitoring tool for the work to be undertaken and performance must be appropriately recorded and monitored.
- 7.8 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport.
- 7.9 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.
- 7.10 In respect of air travel by consultants, the municipality will only pay for economy class.
- 7.11 In respect of accommodation, the municipality will pay the rate of up to a three-star local accommodation.
- 7.12 In respect of car hire, the municipality will pay the rate of up to GROUP B category.
8. **Vehicle 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 for the different grades of municipalities, 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.



Cost Containment Policy

- 8.2 The procurement of vehicles in 8.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 8.3 Before deciding to procure a vehicle as contemplated in 8.2, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
- (a) status of current vehicles;
 - (b) affordability of options including whether to procure a vehicle as compared to rental or hire thereof, provided that the most cost-effective option is followed, and the cost is equivalent to or lower than that contemplated in 8.1;
 - (c) extent of service delivery backlogs
 - (d) terrain for effective usage of the vehicle; and
 - (e) any other policy of council.
- 8.4 if the rental referred to in 8.3 is preferred, the accounting officer must review the costs incurred regularly to ensure that value for money is obtained.
- 8.5 regardless of their usage, vehicles for official use by political office bearers may only be replaced after completion of 120 000 kilometers.
- 8.6 notwithstanding 8.5 vehicles may be replaced for official use by political office bearers before the completion of 120 000km only in instances where the vehicle has a serious mechanism problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
9. **Travel and subsistence**
- 9.1 An accounting officer-
- a) May approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
 - b) May only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours
- 9.2 In the case of the accounting officer, the 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 9.1 or 9.2, an accounting officer or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with disability or a medically certified condition.
- 9.4 International travel to meetings or events will only be approved if it is considered to be critical. The number of officials or political office bearers attending such meetings or events must be limited to those officials or political office bearers directly involved in the subject matter related to such meeting or events.



Cost Containment Policy

- 9.5 The 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-
- (a) during peak holiday periods; or
 - (b) when major local or international events are hosted in a geographical area that results in an abnormal increase in the number of local and/or international guests in that particular area.
- 9.6 An official or a political office bearer of a municipality or municipal entity 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
 - (ii) the cost of kilometres claimable by the official or political office bearer; and
 - (iii) the cost of parking
 - (c) not hire vehicles from a category higher than group B or an equivalent class; and
 - (d) 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.
- 9.7 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 through a notice or any other available cheaper flight and accommodation.

10. Domestic accommodation

- 10.1 the 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 from time to time by the National Treasury through a notice.
- 10.2 overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

11. Credit cards

- 11.1 The accounting officer must ensure that no credit card or debit card linked to a bank account of a municipality is issued to any official or political office bearer, including members of the board of directors municipal entities.
- 11.2 where officials or political office bearers incur expenditure in relation to official municipal activities, such officials or political officer bearers must use their personal credit cards or cash or arrangements made by



Cost Containment Policy

the municipality or municipal entity, and request reimbursement in accordance with the Subsistence and Travel Policy.

12. Sponsorships, events and catering

- 12.1 The municipality may not incur catering expenses for meetings which are only attended by persons in the employ of the municipality, unless the prior written approval of the accounting officer is obtained.
- 12.2 the accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council that exceed five hours.
- 12.3 entertainment allowances of qualifying officials may not exceed two thousand rand per person per financial year, unless approved otherwise by the accounting officer.
- 12.4 expenditure may not be incurred on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.
- 12.5 the accounting officer must ensure that social events, team building exercises, year-end functions, sporting events and budget speech dinners are not financed from the municipality budget or by any suppliers or sponsors.
- 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 costs related thereto are recovered from affected officials or is an integral of business operations.
- 12.7 the accounting officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality or municipal entity for ten or more years or retire on grounds of ill health.

13. Communication

- 13.1 All municipal related events are to be advertised on the municipal website as far as possible instead of advertising in magazines or newspapers.
- 13.2 newspapers and other related publications for the use of officials must be discounted on expiry of existing contracts or supply orders, unless required for professional purposes and where unavailable in electronic format.
- 13.3 The acquisition of mobile communication services may be done using the transversal term contracts arranged by the National Treasury.

14. Conferences, meetings and study tours

- 14.1 when considering applications from officials or political office bearers to attend conferences or events within and outside the borders of South Africa, an accounting officer or mayor as the case may be, must take the following into account-



Cost Containment Policy

- 14.2 the accounting officer or mayor as the case may be will take into consideration the following when considering applications from officials or political office bearers to attend conferences within and outside the borders of South Africa:
- (a) the official's or political office bearer's role and responsibilities and the anticipated benefits of the conference or event;
 - (b) whether the conference or event addresses relevant concerns of the municipality;
 - (c) the appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
 - (d) the availability of funds to meet expenses related to the conference or event.
- 14.3 the accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 14.4 the benchmark costs referred to in 14.3 may not exceed an amount as determined from time to time by National Treasury through a notice.
- 14.5 the amount referred to in 14.4 excludes costs related to travel, accommodation and related expenses, but includes-
- (a) conference or event registration expenses; and
 - (b) any other expense incurred in relation to the conference or event.
- 14.6 when considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.7 the accounting officer must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in house.
- 14.8 municipal or provincial office facilities must be utilized for conference, meeting, strategic planning sessions, *inter alia*, where an appropriate venue exists within the municipal jurisdiction.
- 14.9 the accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor, as contemplated in 14.2).
- 14.10 the municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, events or study tour, in advance.
- 15. Other related expenditure items**
- 15.1 all commodities, services and products covered by a transversal contract concluded by the National Treasury must be considered before approaching the market, to benefit from savings where lower prices or rates have 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 election periods or to fund any activities of any political party at any time.



Cost Containment Policy

- 15.3 expenditure on tools of trade for political office bearers must be limited to the upper limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.
- 15.4 expenditure on elaborate and expensive office furniture must be avoided.
- 15.5 the South African Police Service must be used 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.
- 15.6 additional time-off in shall be provided in lieu of payment for overtime worked Planned overtime must be submitted to the relevant manager for consideration on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager.
- 15.7 due process is to be followed when suspending or dismissing officials to avoid unnecessary litigation costs.
- 15.8 In order to curb petrol expenditure, the municipality's vehicle tracking system should be utilized by the Departments to monitor usage in order to curb abuse of municipal vehicles and excessive petrol consumption.

16. MONITORING AND EVALUATION

- 16.1 This Policy shall be monitored and evaluated by the CFO and regular monitoring reports submitted to the Management Committee Meeting, Finance Portfolio Committee, Executive Committee and Full Council Meetings.

17. COMMENCEMENT OF THE POLICY

- 17.1 This Policy shall come into effect on the date of the adoption by the Ugu District Municipality Council.

18. AMENDMENT AND/OR ABOLITION

- 18.1 This policy may be amended or repealed by the Municipality through a Council Resolution.

19. COMPLIANCE AND ENFORCEMENT

- 19.1 Violation or non-compliance with this policy will give a just cause for disciplinary steps to be taken.

20. POLICY REVIEW



Cost Containment Policy

20.1 This Policy will be reviewed annually to ensure applicability and relevance.

Records of Approval

Review 2021/2022		
Policy Review Committee	20 January 2022	Recommended to MANCO
MANCO	24 January 2022	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	03 February 2022	Recommended to EXCO
EXCO	06 March 2022	Recommended to council
Council	26 May 2022	Approved

Review 2022/2023		
Policy Review Committee	10 February 2023	Recommended to MANCO
MANCO	24 April 2023	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	16 MAY 2023	Recommended to EXCO
EXCO	17 May 2023	Recommended to council
Council	25 May 2023	Approved

Review 2023/2024		
Policy Review Committee	14 February 2024	Recommended to MANCO
MANCO	11 March 2024	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	20 March 2024	Recommended to EXCO
EXCO	20 March 2024	Recommended to council
Council	23 May 2024	Approved



Cost Containment Policy

Review 2024/2025		
Policy Review Committee	14 February 2025	Recommended to MANCO
Policy Review Committee	18 February 2025	Recommended to MANCO
MANCO	10 March 2025	Recommended to Portfolio Committee on Finance
Portfolio Committee on Finance	13 March 2025	Recommended to EXCO
EXCO	19 March 2025	Recommended to Council
Council	29 May 2025	Approved

