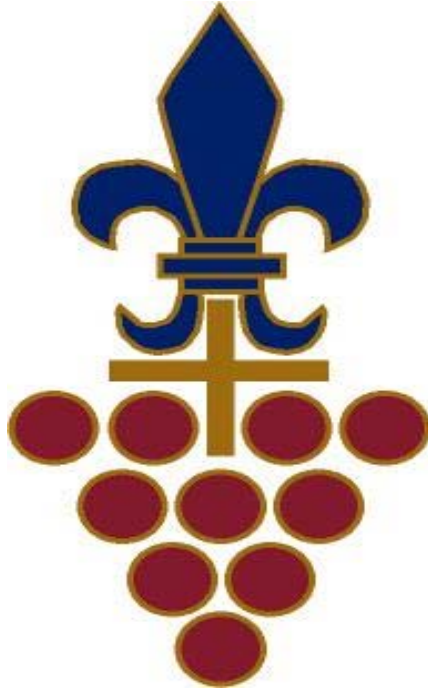


STELLENBOSCH MUNICIPALITY



COST CONTAINMENT POLICY

2026/2027

REVISED



STELLENBOSCH MUNICIPALITY

COST CONTAINMENT POLICY

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1. **DEFINITIONS**

“*Act*” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“*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;

“*Cost containment*” means the measures implemented to curtail spending in terms of this policy;

“*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;

“*Debit Card*” means a card issued by a financial services provider allowing the cardholder to transfer money electronically from any bank account held by the Municipality when making a purchase;

“*Municipality*” means Stellenbosch Local Municipality;

“*Persons in the employ of the municipality*” means any employee of the municipality whether employed on a permanent or temporary basis and any public office bearer serving on the Council;

“*Procurement Documentation*” means any documentation used for the procurement of consultants, whether it is documentation used for tenders or formal quotations;

2. **PURPOSE**

The purpose of the policy is to regulate spending and to implement cost containment measures at Stellenbosch Local Municipality to ensure that the resources of the Municipality are used effectively, efficiently and economically.–

3. **OBJECTIVES OF THE POLICY**

3.1 The objectives of this policy are to:

3.1.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;

3.1.2 To implement cost containment measures.

4. **SCOPE OF THE POLICY**

4.1 This policy will apply to all:

4.1.1 Councillors'; and

4.1.2 Municipal employees.

4.2 The containment measures are intended to eliminate wastage of public funds and to enhance service delivery

4.2 4.3 In the event of any conflict between a provision of this policy and any other policy of council, the provision of this policy shall apply.

5. **LEGISLATIVE FRAMEWORK**

5.1 This policy must be read in conjunction with the -

5.1.1 The Constitution of the Republic of South Africa (Act 108 of 1996 as amended), The Municipal Finance Management Act,

5.1.2 The Municipal Finance Management Act, Act No.56 of 2003

5.1.3 The Municipal System Act, Act 32 of 2000

5.1.4 Municipal Structure Act, Act 117 of 1998.

5.1.1—

~~5.1.25.1.5~~ MFMA Circular 97, published on 31 July 2019;
~~5.1.35.1.6~~ Municipal Cost Containment Regulations, 2019; and
~~5.1.7~~ Travelling and subsistence policy of Stellenbosch Municipality.:-
~~5.1.8~~ Bylaws of Stellenbosch Municipality.

5.1.4

6. POLICY PRINCIPLES

~~6.1~~ This policy will apply to the procurement of the following goods and/or
~~services~~services, and all other policies must be aligned with this policy.:-

~~6.1~~

~~6.2~~ The policy will apply to the procurement of the following goods and
services.

~~6.1.1 Use~~6.2.1 Use of consultants

~~6.1.2 Vehicles~~6.2.2 Vehicles used for political office-bearers

~~6.2.31.3~~ Travel and subsistence

~~Domestic~~6.2.4 Domestic accommodation

~~Credit~~6.2.5 Credit cards

6.2.6 Sponsorships, events and catering

6.2.7 Communication

6.2.8 Conferences, meetings and study tours

~~6.1.4~~ 6.2.9 Any other related expenditure items

~~76~~ USE OF CONSULTANTS

7.1 Consultants may only be appointed after an assessment of the needs
and requirements has been conducted to support the requirement of the

use of consultants.

7.2 The assessment referred to in 7.1 must confirm that the municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 Procurement documentation for the appointment of consultants must include a clause that remuneration rates will be subject to negotiation and will not exceed the applicable rates stated below:

7.3.1 Rates determined in the “Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa” issued by the South African Institute of Chartered Accountants;

7.3.2 Rates set out in the “Guide on Hourly Fee Rates for Consultants” issued by the Department of Public Service and Administration;

7.3.3 Rates prescribed by the body regulating the profession of the consultant.

7.4 When negotiating cost effective rates for international consultants, the Accounting officer may take into account the relevant international and market determined rates.

~~7.4~~

7.5 When consultants are ~~appointed~~appointed, the following should be included in the Service Level Agreements:

7.5.1 Consultants should be appointed on a time and cost basis that has specific start and end dates;

7.5.2 Consultants should be appointed on an output-specific basis, with specified deliverables and the associated remuneration;

7.5.3 Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence;

7.5.4 A clause ensuring that skills transfer is done by the consultant to the relevant Municipal officials. This requirement must also be specified in Procurement Documentation.

7.5.5 All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy and Supply Chain Regulations.

7.6 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of Transport as updated periodically.

7.7 Consultancy reduction plans should be developed to reduce the reliance on consultants.

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

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

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

8.1 Should the approved capital budget of the municipality include the purchase of vehicles for official use by political office bearers, the threshold limit for such vehicle purchases may not exceed seven hundred thousand rand (R700 000) or 70% (VAT inclusive) of the total annual remuneration package for the different grades, whichever is ~~lower~~ greater.

8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism unless it can be procured at a lower cost through other procurement mechanisms.

8.3 Before deciding on the procurement of a vehicle as contemplated in 8.2, the ~~C~~hief ~~F~~inancial ~~O~~fficer must provide the council with information relating to the following criteria which must be considered:

8.3.1 Status of current vehicles;

8.3.2 Affordability, including options of purchasing vs. renting, ~~providing~~

that the most cost-effective option is taken.

8.3.3 Extent of service delivery backlogs;

8.3.4 Terrain for effective usage of vehicle; and

8.3.5 Any other policy of council.

8.4 If the rental option is preferred, the Accounting officer must review the costs incurred on a quarterly basis to ensure that value for money is obtained.

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, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.

9 TRAVEL, SUBSISTENCE AND ACCOMMODATION

Cost containment measures should be applied in managing and planning trips.

Air Travel

9.1 The Accounting officer in respect of all officials or political office bearers and the Executive mayor in respect of the Accounting Officer may only approve the purchase of economy class tickets for air travel.

International Travel

9.2 International travel for any official or political office bearer can only be approved by the municipal council in a council meeting open to the public with a supporting vote of the majority of the members of the municipal council present.

9.3 The report to council for approval of international travel must include:

9.3.1 A motivation why the international travel is seen as critical and fully setting out the anticipated benefit that the municipality will

- derive from attending the event, meeting or function;
 - 9.3.2 If international travel to the destination or event was previously undertaken, state what benefits if any derived from the previous attendance;
 - 9.3.3 The full cost of the international travel including travel allowances to be paid; and
 - 9.3.4 The proposed officials and political office bearers, not exceeding three, to travel and why they have been identified.
- 9.4 The following events will not be considered critical to justify international travel whether the full cost of the travel is paid by another institution or not:
- 9.4.1 Attendance of international sporting events;
 - 9.4.2 Attendance of international social events;
 - 9.4.3 Attendance of international party-political events;
 - 9.4.4 The opening of another country's parliament or any other country's government's celebration events.
- 9.5 The accounting officer or delegated official must ensure that requirements for international travel by officials or political office bearers are not inserted into bid documents, whether it is for inspection of products at source of construction/assembly or for any other reason.

Domestic Accommodation

- 9.6 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.
- 9.7 Notwithstanding the provision in paragraph 9.6 overnight accommodation, where the return trip is 500 kilometres or less, may be booked where in the view of the accounting officer or delegated official the limitation may be impractical and any of the following instances are present:
- 9.7.1 The road or any other conditions could jeopardise the safety, health and security of officials or political office bearers;

- 9.7.2 The trips are to be undertaken over a number of consecutive days provided that a return trip is in excess of 200 kilometres;
- 9.7.3 The starting time of the meeting or event would require the official or councillor to leave his/her place of residence before 05:00 in order to be punctual; and
- 9.7.4 Overnight accommodation is cheaper than the travelling expenses payable under council policy on travel and subsistence.

9.8 Any request for overnight accommodation in compliance with paragraph 9.6 or 9.7 must be motivated on a prescribed form and approved by the municipal manager or delegated official prior to the arrangement for overnight stay;

9.9 The written approval in terms of paragraph 9.8 must be filed with the relevant supply chain documents for the accommodation booking; and

9.10 A copy of such written approval in terms of paragraph 9.8 must also accompany the request for travel and subsistence.

10. **CREDIT CARDS**

10.1 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 public office-bearer.

10.2 Where officials or public office bearers must incur expenditure in relation to approved official municipal activities, such officials and public office bearers may use their personal bank cards or cash, and may request reimbursement from the municipality in accordance with approved policies and processes.

11 **SPONSORSHIPS, EVENTS & CATERING**

11.1 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.

- 11.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:

- 11.2.1 Hosting of meetings;
- 11.2.2 Conferences;
- 11.2.3 Workshops;
- 11.2.4 Courses;
- 11.2.5 Forums;
- 11.2.6 Recruitment interviews; and
- 11.2.7 Council proceedings

- 11.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000.00) per person per financial year, unless otherwise approved by the accounting officer.

- 11.4 Expenses may not be incurred on alcoholic beverages.

- 11.5 The regulations require *inter alia* that the accounting officer must ensure that social events are not financed from the municipality's budget however, this provision is not intended to impede on the constitutional obligation of the municipality as particularly set out in section 152, 153, 195(1)(h) and Schedule 4 Part B of the Constitution to promote and cultivate social development, economic development, good human-resource management and local tourism.

□

- 11.6 Social events exclude the following events linked to the strategic objectives of the municipality:

- 11.6.1 Economic development events;
- 11.6.2 Cultural festivals;
- 11.6.3 Local tourism festivals;
- 11.6.4 Youth, aged, disable and other vulnerable persons developmental events;
- 11.6.5 Civic honours events;

- 11.6.6 Staff recognition or achievement awards and functions;
 - 11.6.7 Town centennial or other significant municipal commemorating events;
 - 11.6.8 Opening of facilities and buildings;
 - 11.6.9 Strategic planning sessions;
 - 11.6.10 Non-recreational team building events; and
 - 11.6.11 Non-recreational staff wellness functions.
- 11.7 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 or is an integral part of the business model of a specific project or drive.
- 11.8 The accounting officer must ensure that any sporting events, and expenditure directly or indirectly related to sporting events such as travel and accommodation cost, sporting gear and sporting regalia are not financed from the budget of the municipality or by any suppliers or sponsors. This provision does not prohibit the municipality to incur expenditure on municipal sport facilities as per its constitutional function.
- 11.9 The accounting officer or delegated official may incur expenditure not exceeding the limits for petty cash as per the municipal Petty Cash Policy for one transaction usage, to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

12 **COMMUNICATION**

- 12.1 Stellenbosch Municipality may, if matters are not required to be notified through the media to the local community in terms of section 21 of the Municipal Systems Act or any other applicable legislation, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 12.2 The accounting officer must ensure that allowances to officials for private

calls and data costs are limited to the amounts as determined in Council's Cellular Telephone Policy or any other applicable policy that regulates cellular calls and data cost.

12.3 Newspaper and other related publications for the use of officials and political office bearers must be discontinued on expiry of existing contracts; unless, authorised by the accounting officer for officials and by the executive mayor for political office bearers that it is required for professional purposes.

12.4 Stellenbosch Municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services provided that the municipality cannot procure it at cheaper rates.

13 **CONFERENCES, MEETINGS & STUDY TOURS**

13.1 Cost containment measures with regards to conferences, meetings and study tours are dealt with in the approved Travel and Subsistence Policy.

14 **OTHER RELATED EXPENDITURE ITEMS**

14.1 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.

14.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during the election periods.

14.3 Procurement of elaborate and expensive office furniture must be avoided.

14.4 If considered a requirement, only the services of the South African Police

Service may be used to conduct security threat assessments of political office bearers and key officials. A report must be submitted to the Office of the Speaker.

~~14.4~~14.5 The municipality may consider providing additional time-off in lieu of payment for overtime worked. Planned overtime must be submitted to the relevant manager for consideration monthly.

15 **ENFORCEMENT PROCEDURES**

15.1 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 those stipulated herein being 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 **DISCLOSURES OF COST CONTAINMENT MEASURES**

16.1 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.

16.2 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.

16.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

17 **REVIEW PROCESS**

17.1 This policy is a budget related policy and 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 **SHORT TITLE AND IMPLEMENTATION**

~~1849.~~1 This policy is called the Cost Containment Policy and takes effect on ~~4 October 2019.~~ 1 July 2026.