



MATJHABENG LOCAL MUNICIPALITY

COST CONTAINMENT POLICY

2025/26

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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 the 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;

“cost containment” means measures implemented to curtail spending in terms of these regulations.

“municipality” Matjhabeng Local Municipality

2. PURPOSE

The purpose of the policy is to regulate spending and to implement cost containment measures at Matjhabeng Local Municipality as per the Municipal Cost Containment Regulations of 2019.

3. OBJECTIVES OF THE POLICY

The objective of the policy is to ensure that resources of the municipality are used effectively, efficiently and economically by implementing cost containment measures.

4. SCOPE OF POLICY

This policy applies to all:

- 4.1 Political office bearers; and
- 4.2 Municipal officials.

5. LEGISLATIVE FRAMEWORK

This policy must be read in conjunction with the –

- 5.1 The Municipal Finance Management Act, Circular 82, published on 7 December 2016; and
- 5.2 Municipal Cost Containment Regulations, 2019.

6. POLICY PRINCIPLES

6.1 This policy will apply 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

7. 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 the requisite skills or resources in its full time employ to perform the function that the consultant will carry out.

7.3 A fair and reasonable remuneration framework for consultants considering the rates –

- i. 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;
- ii. set out in the “Guide on Hourly Fee Rates for Consultants”, issued by the Department of Public Service and Administration; or
- iii. as prescribed by the body regulating the profession of the consultant.

7.4 The Service Level Agreement must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in section 7.3.

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

- i. Consultants should be appointed on a time and cost basis with specific starts and end dates;
- ii. Where practical, appoint consultants on an output-specific basis, specifying deliverables and the associated remuneration.
- iii. Ensure that cost ceilings are included to specify the contract price as well travel and subsistence or exclusive of travel and subsistence; and
- iv. Ensure the transfer of skills by consultants to the relevant officials in the municipality.

- v. All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
- 7.6 Consultancy reduction plans should be developed.
- 7.7 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.8 The specifications and performance of the service provided 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 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is lower.
- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism.
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding to procure a vehicle as contemplated in 8.3, the accounting officer or delegated official must provide the council with information relating to the following criteria which must be considered:
 - i. Status of the current vehicles;
 - ii. Affordability
 - iii. Extent of service delivery
 - iv. Terrain for effective usage of the vehicle; and
 - v. 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 000km.
- 8.6 Notwithstanding 8.5, 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.
- 8.7 The accounting officer must ensure that there is a policy that addresses the use of municipal vehicles for official purposes.

9. TRAVEL AND SUBSISTENCE

- 9.1 An accounting officer:
 - i. 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

- ii. 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 Notwithstanding 9.1, an accounting officer may approve the purchase of business class tickets for officials or a political office bearer with a disability or medical certified condition.
- 9.3 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials or political office bearers that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 9.4 Officials of the municipality must:
 - i. Utilize the municipal fleet, where viable before incurring costs to hire vehicles.
 - ii. Make use of a shuttle service if the cost of such a service provider is lower than:
 - a. The cost of hiring a vehicle;
 - b. The cost of kilometres claimable by the employee; and
 - c. The cost of parking.
 - iii. Not hire vehicles from a category higher than Group B; and
 - iv. 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.
- 9.5 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.

11. CREDIT CARDS

- 11.1 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.
- 11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office- bearers must use their personal credit cards or cash and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash 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 prior written approval is obtained from the accounting officer.
- 12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
 - i. Hosting of meetings
 - ii. Conferences
 - iii. Workshops
 - iv. Courses
 - v. Forums
 - vi. Recruitment interviews
 - vii. Proceedings of council
- 12.3 Entertainment allowances of qualifying officials may not exceed R2000 per person per financial year, unless approved otherwise by the accounting officer.
- 12.4 Expenses may not be incurred on alcoholic beverages.
- 12.5 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 such as but not limited to:
 - i. Staff wellness functions
 - ii. Attendance of sporting events by municipal officials
- 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 or is an integral part of the business model.
- 12.7 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.
- 13.3 Newspapers and other related publications for the use of officials and political office-bearers must be discontinued on the expiry of existing contracts or supply orders.

- 13.4 The acquisitions of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 Allowances for officials for private calls and data costs are limited to an amount determined by the immediate supervisor and head of department.

14. CONFERENCES, MEETINGS AND STUDY TOURS

- 14.1 Applications to attend conferences or events hosted by professional bodies or non-governmental institutions held within and outside South Africa should be assessed by training section in order to consider their merits and benefits, costs and available alternatives.
- 14.2 When considering applications from officials or political office-bearers to attend conferences or events within and outside South Africa, an accounting officer or mayor, take the following into account –
- i. The official's or political office bearer's role and responsibility and the anticipated benefits of the conference or event;
 - ii. Whether the conference or event addresses relevant concerns of the institution;
 - iii. The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
 - iv. The availability of funds to meet expenses related to the conference or event.
- 14.3 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside South Africa.
- 14.4 The benchmark cost referred to in 14.3 may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 14.5 The amount referred to in 14.4 above excludes cost related to travel, accommodation and related expenses, but includes:
- i. Conference or event registration expenses; and
 - ii. Any other expense incurred in relation to the conference or event.
- 14.6 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.
- 14.7 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.8 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.9 The municipality must take advantage of early registration discounts by granting the required approval to attend the conference, event 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 and other inducements as part of, or during the election periods.
- 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 furniture.
- 15.5 The municipality may consider providing additional time-off in lieu of payment for overtime worked.
- 15.6 Planned overtime must be submitted to the relevant manager for consideration on a monthly basis.
- 15.7 A motivation for all unplanned overtime must be submitted to the relevant manager.
- 15.8 The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.
- 15.9 The municipality may only use the services of the South African Police Services 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. 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 authorised or incurred any expenditure contrary to these regulations 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.

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

18. SHORT TITLE

- 18.1 The policy shall be called Cost Containment Policy of Matjhabeng Local Municipality.