

HESSEQUA

Munisipaliteit / Municipality



COST CONTAINMENT POLICY

Annexure B12

"In terme van Hessequa Munisipaliteit se Anti-Korrupsie en koste besparings strategie en die implementering van Anti-Korrupsie prosedures in al die fasette van Administrasie is dit belangrik dat hierdie beleidsdokument aan die Raad se Anti-Korrupsie en koste besparings doelwitte voldoen en daarom vorm dit deel van die Hessequa Munisipaliteit se Anti-Korrupsie beleid."

"In terms of Hessequa Municipality's Anti-Corruption and Cost saving strategy and the implementation of the Anti-Corruption procedures in all the facets of Administration it is important that this policy document apply to the Council's Anti-Corruption aims and therefore form part of the Hessequa Municipality's Anti-Corruption policy."

Goedgekeur / Approved: 27 May 2026

Raadsbesluit / Council's decision:

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**VOLUME 1: INSTITUTIONALISATION
ISSUING CERTIFICATE**

Version 01

Date

Summary

This document is the Cost Containment Policy applicable to the Hessequa Municipality

Signature

Date:

ACCOUNTING OFFICER

As delegated in terms of the AO Finance Delegations, item 856797 issued in terms of section 79 of the MFMA, dated 25 February 2015

Approved by the Council

Date:

Resolution

Transitional arrangements

Effective date

01 July 2026 – 30 June 2027

Next revision date

March 202

1. INTRODUCTION

- 1.1 Section 168(1)(b) and (p) of the Municipal Finance Management Act (Act No. 56 of 2003), provides that the Minister may regulate financial management and internal controls and any other matter that may facilitate the enforcement and administration of the Act.

2. PROBLEM STATEMENT

- 2.1 In terms of the legal framework, elected Councils and Accounting Officers are required to institute appropriate measures to ensure limited resources and public funds are appropriately utilised to ensure value for money is achieved in fulfilling the municipality's mandate.

3. PURPOSE OF THE POLICY

- 3.1 The purpose of this policy is to direct the Municipality on cost containment measures that must be implemented to ensure that resources of the Municipality are used effectively, efficiently and economically.

4. APPLICATION OF POLICY

- 4.1 This Policy applies to all officials, Political office-bearers and Councilors in the Municipality.
- 4.2 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 containing costs.

5. DEFINITIONS

In this policy, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and-

"Act" means the Local Government: Municipal Finance Management Act (No. 56 of 2003);

"Accounting Officer" means the Municipal Manager appointed as such by the Council of Hessequa Municipality in terms of section 82 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998) and as contemplated in Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Municipality" means the Hessequa Municipality established by Government Notice No. 479 of 2000 issued in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), or any structure or employee of Hessequa Municipality acting in terms of delegated authority;

"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 to perform

its functions to achieve the objects of local government in terms of section 152 of the Constitution, normally on a time and material basis;

"Cost containment" means measures implemented to curtail spending

"Council" means the Council of Hessequa Municipality;

"Credit card" means a card issued by a financial services provider, which grants a line of credit to the cardholder and is a revolving account;

"Delegated Authority" means any person or committee delegated with authority by the Council or Municipal Manager in terms of the provisions of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

"Delegation" in relation to a duty, includes an instruction or request to perform or assist in performing a duty the duty, and "delegate" has a corresponding meaning;

"Official" means an employee of Hessequa Municipality responsible for carrying out a duty or function or exercising any power in terms of this policy and includes any employee delegated to carry out or exercise the duty, function or power;

"Political Office Bearer" means the Speaker, Executive Mayor, Deputy mayor or Member of the Executive Committee as referred to in the Municipal Structures Act; and

"Regulations" means the Local Government: Municipal Finance Management Act, 2003

6. DESIRED OUTCOMES

- 6.1 To ensure that the resources of the Municipality are used effectively, efficiently and economically; and
- 6.2 To implement cost containment measures to monitor and reduce spending in areas as determined within this policy.

7. REGULATORY FRAMEWORK

- 7.1 The policy must be read in conjunction with:
 - 7.1.1 The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
 - 7.1.2 The Local Government: Municipal Finance Management Act, 2003 (Act
 - 7.1.3 The Municipal Finance Management Act, Act 2005 (Act No. 56 of 2003),
 - 7.1.4 Hessequa Municipality By-Laws; and
 - 7.1.5 Hessequa Municipality policies.

8. GUIDING PRINCIPLES

- 8.1 All related policies (e.g. dealing with procurement, sponsorships, travel, catering, use of vehicles etc.) must be aligned with this Policy.
- 8.2 The policy will apply to the procurement of the following goods and services where applicable:
 - Use of Consultants;
 - Vehicles used for political office-bearers;
 - Travel and subsistence;
 - Domestic Accommodation;
 - Credit Cards;
 - Sponsorships, events and catering;
 - Communication;
 - Conferences, meetings and study tours; and
 - Other related expenditure items.

6. USE OF CONSULTANTS

- (1) The municipality may only appoint consultants if an assessment of the needs and requirements confirms that the municipality does not have the requisite skills or resources in its full -time employ to perform the function.
- (2) The 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 the Auditor -General of South Africa ", issued by the South African Institute of Chartered Accountants;
 - (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 consultant.
 - (d) Any other remuneration framework as approved by the accounting officer
- (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 (2) above.
- (4) When negotiating cost -effective consultancy rates for international consultants, the accounting officer must take into account the relevant international and market -determined rates.
- (5) When consultants are appointed, the accounting officer must -
 - (a) appoint consultants on a time and 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 or municipal entity;
 - (e) undertake all engagements of consultants 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. (Refer Annexure A)
- (6) All contracts with consultants must include a fee retention or penalty clause for poor performance.
- (7) The municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- (8) 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 from time to time.
- (9) The contract price must specify all travel and subsistence costs.

10. VEHICLES FOR POLITICAL OFFICE -BEARERS

- (1) No vehicle will be purchased for the use of political office bearers
- (2) If a municipal vehicle is to be used by a political office bearer, it will only be permitted if:
 - There is a municipal vehicle available
 - The political office bearer does not have a vehicle of his/her own
 - The political office bearer has not structured his remuneration packet to include a travel allowance.
 - He/she has a valid drivers licence
 - With prior approval from the Accounting Officer or Delegated Authority where:
 - (i) Circumstances and limitations result it impractical

11. TRAVEL AND SUBSISTENCE

- (1) The 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.
- (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.
- (3) Notwithstanding sub -regulation (1) or (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 a disability or a medically certified condition.
- (4) International travel will only be permitted if it is considered to be critical, and if the expense has been budgeted for.
- (5) The accounting officer, or the mayor in the case of the accounting officer, must approve accommodation costs -
 - (a) during peak holiday periods; or
 - (b) when major local or international events are hosted in a particular geographical area that results in an abnormal increase in the number of local and /or international guests in that particular geographical area.
- (6) An official or a political office bearer of the municipality 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.
- (7) The municipality may 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 unless the municipality can negotiate lower air travel rates or utilise other service providers that offer lower rates.

12. AIR TRAVEL

- (1) The Municipality where feasible may utilise negotiated rates with South African Airways (SAA) and Comair/British Airways (BA) for upfront discounted air fares for government employees, including councillors, travelling domestically for official purpose. These Domestic Air Travel Fares will be regularly reviewed by the National Treasury (These rates are not applicable for International Air Travel).
 - a. Business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.
- (2) Where Disabled persons cannot be accommodated in economy class, or in extremely exceptional and rare cases the Accounting Officer or Delegated official may approve, with evidence, other than economy class air travel.

13. DOMESTIC ACCOMMODATION

- (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.
- (2) Overnight accommodation may only be booked where the return trip exceeds 500 Kilometres or with prior approval from the Accounting Officer or Delegated Authority where:
 - a. Circumstances and limitations result it impractical(ii) Circumstances that poses a risk to the health of the official or councillor

14. CREDIT CARDS

- (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.
- (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 the municipality, and request reimbursement in accordance with the written approved policy and processes.

15. SPONSORSHIPS, EVENTS AND CATERING

- (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.

- (2) The accounting officer may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council where:
 - (i) that meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of council exceed five hours.
 - (ii) with prior approval from the accounting officer or delegated official in exceptional circumstances
- (3) The municipality may not incur expenses on alcoholic beverages unless the municipality recovers the cost from the sale of such beverages.
- (4) The accounting officer must ensure that social events, team building exercises, year -end functions, sporting events and budget vote dinners are not financed from the municipality's budget or by any suppliers or sponsors.
- (5) The municipality may not incur expenditure 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 part of the business model.
- (6) 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 for ten or more years or retire on grounds of ill health.

16. COMMUNICATION

- (1) The municipality must, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- (2) The accounting officer must ensure that the cost of private telephone calls is recovered by officials making them
- (3) Newspapers and other related publications which is not available in electronic format, which are for official use only is permitted.
- (4) The municipality may participate in the transversal term contract arranged by the National Treasury for the acquisition of mobile communication services.

17. GENERAL MEASURES TO BE IMPLEMENTED

- (1) To curb fuel expenditure, the municipality's vehicle tracking system must be utilised by the directorates to monitor usage in order to restrict abuse and excessive fuel consumption of municipal vehicles
- (2) Bulk purchases must be considered for regularly consumed inventory

18. CONFERENCES, MEETINGS AND STUDY TOURS

- (1) The accounting officer must establish policies and procedures to manage applications to attend conferences or events hosted by professional bodies or non -governmental institutions held within the borders of South Africa taking into account their merits and benefits, costs and available alternative
- (2) When considering applications from officials or political office bearers to attend conferences or events within the borders of South Africa, the Accounting Officer or mayor as the case may be, must take the following into account -
 - (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 institution;
 - (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.
- (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 the borders of South Africa.
 - (4) The benchmark costs referred to in (3 above) may not exceed an amount as determined from time to time by the National Treasury through a notice.
 - (5) The amount referred to in (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.
 - (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.
 - (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.
 - (8) Municipal office facilities must be utilised for conference, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the municipal jurisdiction.
 - (9) The accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor.
 - (10) A municipality must, where applicable, take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.

19. OTHER RELATED EXPENDITURE ITEMS

- (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.
- (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.
- (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.
- (4) The municipality must avoid expenditure on elaborate and expensive office furniture.
- (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.
- (6) 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 on a monthly basis. A motivation for all unplanned overtime must be submitted to the relevant manager before approval of such overtime
 - (7) The municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

20. ENFORCEMENT PROCEDURES

- (1) Failure to implement or comply with this policy may result in any official of the municipality, 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.

21. DISCLOSURES OF COST CONTAINMENT MEASURES

- (1) Directorates are to ensure that the disclosure of cost containment measures applied by the municipality be included in the municipal in -year budget reports and annual costs savings disclosed in the annual report.
- (2) The measures implemented, and aggregate amounts saved per quarter, together with the regular reports on reprioritisation of cost savings and on the implementation of the cost containment measures must be submitted by the directorates 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.
- (3) The reports referred to in (2) must be copied to the National Treasury and the relevant provincial treasury within seven calendar days after the report is submitted to municipal council.

22. SHORT TITLE AND COMMENCEMENT

This policy is called the Hessequa Municipality Cost Containment Policy and takes effect from 1 July 2019.

ANNEXURE A: HESSEQUA MUNICIPALITY CONSULTANCY REDUCTION PLAN

AIM

The aim of this plan is to reduce the dependence on consultants.

DEPENDENCY

The Municipality is dependent on external consultants due to a lack of resources.

The following resources impacts on the capability of the municipality to be self-sufficient and to limit the use of external consultants:

1. Human resources:

The current staff establishment does not provide for the appointment of specialists in the various fields of local government competencies. Furthermore, the vacancy rate, for unfunded posts, is extremely high due to the number of essential posts in various departments that need to be filled.

The municipality is dependent on the external public works programme to fill gaps on lower levels of the staff establishment.

The high overtime expenditure is also a further indicator of a lack of staff capacity.

Various small contractors are being appointed through supply chain management processes to fill gaps in the administration and to execute essential tasks.

The creation of one senior post will must be funded through the freezing of a number of labour posts and the lower labour vacancy rate are already under pressure.

2. Structural responsibilities

The managers appointed in terms of the organisational structure is responsible to manage the various existing works on a daily basis. They are overloaded with administrative work and compliance matters. They don't have the time and is not fully equipped in terms of their experience and professional training to act as a consultant for the municipality. They will also not be covered in terms of the current insurance policy of the municipality for professional failures. The insurance policy will have to be extended to include professional indemnity insurance.

The municipality manages five towns and other rural areas from a centralised administration, making it very difficult to attend to community needs by professional people. If there is funds for extension of the staff establishment, it would be more reasonable to extend the management in the various towns rather than to appoint professional advisers and project managers.

3. Limited budget

The municipality's budget is already under tremendous constraint and cannot accommodate the funding of additional posts. The high cost of employment is detrimental to the maintenance and operating budget and places a huge burden on service delivery.

4. Upper limits and task job limits

The upper limits of municipal remuneration are not market related compared to the remuneration of professional people in the private sector. The municipality experience a serious challenge to attract and retain staff in professional fields of management and it will be much more difficult to appoint professional people for the achievement of specific objectives such as drafting tender specifications for bulk services projects; managing such projects and be accountable and taking the risk associated therewith. In many instances, more than one specialist is needed to draft tender specifications for a single project, such as civil-, structural- and electrical engineering, planners, environment specialist and planning designers/ architects to plan, design and construct a sewer plant or water purification works. There will have to be a huge hike in upper limits in order to appoint professionals in the various fields.

5. Offices and equipment

The municipality is not equipped to accommodate additional staff as the current staff is already accommodated in remote buildings spread all over the Hessequa Municipal area. Additional office space will be needed and the municipality's capital budget is insufficient to accommodate this. There is also no grant funding for the construction of office space.

Furthermore, offices for certain professionals must be equipped with specialist equipment such as designer tables, designer's software, plan printers, laboratories, testing equipment and various other.

6. Systems and programmes

There are a number of systems and programmes that the municipally need to maintain in order to render a cost effective, efficient and reliable service and to be compliant with legislation.

JUSTIFICATION

The use of consultants is currently non-negotiable for the municipality as it is of utmost importance to ensure service delivery and execute construction work of essential services. We, however recognise that any decision to employ consultants or any other external professional service must be fully justified, the procurement properly conducted, the assignment managed effectively, and the costs recorded.

Consultants are only used as and when the strategy, structure, management or operations of the specific department is under pressure to fulfil its mandate and render basic services.

We endeavour to use consultants outside the 'business-as-usual' environment when in-house skills are not available, and it will be time-limited. Such consultancy services are expected to either provide additional skills or expertise which are not available within the municipality and are engaged to carry out activities such as investigating problems, providing analysis or advice, or assisting with the development of new systems, new structures or new capabilities within the organisation and to prepare specifications and manage construction of essential services and works.

In some areas of normal daily administration consultancy engagement is seen to be appropriate when:

- a. internal capacity is unavailable to undertake a new area of work;
- b. internal capacity is lacking due to a resignation and for the recruitment and training period as such, for instance where a specific system or programme is utilised;
- c. independence/objectivity is required and cannot be provided within the municipality;
- d. specialist knowledge or expertise is unavailable internally;
- e. legislative requirement where a directive is required to be complied with arising from legislation or due to compliance.

SKILLS TRANSFER

Skills transfer can only be applicable as and when there is internal capacity to be trained and utilised in future. We endeavour to always give explicit consideration to the potential for transferring skills, but it will be limited to areas where capacity exist.

Where skills transfer is not considered practical or appropriate, it will be recorded as such.

REDUCTION OPTIONS

- a. When the municipality do not have any form of oversight competency that can manage, guide or control the utilization of external consultancy for the execution of their mandate in a specific field of expertise the municipality will endeavour to get assistance from Provincial and National Government departments to take sole responsibility for the execution of such speciality engineering fields and/or construction projects where it will not impact on existing infrastructure, operational and maintenance functionality.
- b. Implement a shared services model within the district for professional services;
- c. Constantly inform other spheres of government on the cost of compliance and the unnecessary detail needed to comply with legislative requirements;
- d. Appoint competent staff;
- e. Annually evaluates the staff structure to establish opportunities to extend and fill vacant posts and provide for new posts. The Budget Steercom will annually during the budgetary process consider the annual management report on the appointment of consultants in order to decide on replacing consultants with full time staff.