



**CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD**

ANNEXURE 18 COST CONTAINMENT POLICY

2023/24 BUDGET (MAY 2023)



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1. DEFINITIONS

In this Policy, unless the context indicates otherwise –

“City” means the City of Cape Town, a municipality established by Government Notice No. 479 of 22 September 2000 issued in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998).

“Council” means the municipal council of the City of Cape Town.

“Councillor” means a member of Council.

“Delegated Authority” means any person or committee delegated with authority in terms of legislation, regulatory framework and/or the City's System of Delegations.

“Delegation” in relation to a duty, includes instruction or request to perform or assist in performing the duty, and “delegate” has a corresponding meaning.

“Integral part of the City's business model” means contributing to the City's external and internal environment, example:

- (a) external environment – political, economical, social, technological, environmental and legislative; and
- (b) internal environment – customers, partners, alliances, communications, strategy, policy, suppliers, cost structures, governance, revenue streams, communications process and business activities.

“Official” means:

- (a) an employee of a municipality or municipal entity;
- (b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- (c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

and excludes an Accounting Officer as defined in the MFMA.

“Political office bearer” means the speaker, executive mayor, executive deputy mayor, chairperson of a section 79 committee, mayoral committee member, sub-council chairperson, and chief whip as referred to in the Determination of Upper Limits of Salaries, Allowances and Benefits of different Members of Municipal Councils issued in terms of the Remuneration of Public Office Bearers Act (Act 20 of 1998).



“Regulations” means the Local Government: Municipal Finance Management Act, 2003: Municipal Cost Containment Regulations, 2019.

“Sub-vote” means one of the segments below the main segment (vote /directorate) into which a budget of a municipality is divided for the appropriation of money – a sub-vote / department in the City is set at departmental level.

“Vote” means one of the main segments (directorates) into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality - a vote in the City is set at directorate level.

2. INTRODUCTION

Section 168(1)(b) and (p) of the Municipal Finance Management Act (“Act”) provides that the Minister may regulate financial management and internal control and any other matter that may facilitate the enforcement and administration of the Act. The Regulations are aimed at ensuring that the resources of municipalities are used effectively, efficiently and economically.

The Regulations form part of cost-cutting measures by the state. It also sets out instructions for the City to develop its own cost containment policy as a minimal measure to ensure good governance. This Policy must provide for monitoring measures, procedures for review, and consequences for non-adherence. It must be reviewed annually and communicated on the City's website.

The National Treasury Circular No. 97 has been considered and leading practices have been included in this policy to mobilise and enhance the regulation expectations.

3. PROBLEM STATEMENT

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 that value for money is achieved in fulfilling the municipality's mandate.

4. PURPOSE OF THE POLICY

The purpose of this Policy is to direct the City on cost containment measures that must be implemented in an effort to ensure that resources of the City are used effectively, efficiently and economically.



5. APPLICATION OF POLICY

- 5.1. This Policy applies to the accounting officer, all officials, political office bearers and all councillors in the City.
- 5.2. 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 curtailing costs.

6. DESIRED OUTCOMES

- 6.1. To ensure that the resources of the City 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. This Policy must be read in conjunction with:
 - 7.1.1. Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);
 - 7.1.2. The Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) – Municipal Cost Containment Regulations, 2019;
 - 7.1.3. Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998);
 - 7.1.4. Municipal Supply Chain Management Regulations, 2005 (SCM Regulations);
 - 7.1.5. Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.
 - 7.1.6. City By-Laws;
 - 7.1.7. City Policies; and
 - 7.1.8. City Systems and Procedures, Working Procedures and Standard Operating Procedures and related functional and operational processes.

8. STRATEGIC FOCUS AREA

- 8.1. The City's Five Year IDP (2022-2027) identifies six priorities and three foundation areas, which support the vision of creating a City of Hope and provide a solid foundation for the articulation of service delivery. The priorities and foundation areas are:

Priority:

1. Economic Growth
2. Basic Services
3. Safety
4. Housing
5. Public Space, Environment and Amenities
6. Transport



Foundation:

1. A resilient City
2. A more spatially integrated and inclusive City
3. A capable and collaborative City government

The City has identified linked objectives and programmes within the above areas.

8.2. This Policy supports the following priority/foundation area, objective and programme:

8.2.1. Foundation 3 – Objective 16: A Capable and collaborative City government and

Programme 16.1: Operational sustainability Programme.

9. GUIDING PRINCIPLES

9.1. This Policy will apply to the procurement of the following works, goods and services:

- 9.1.1. Use of Consultants;
- 9.1.2. Vehicles used for political office-bearers;
- 9.1.3. Travel and subsistence;
- 9.1.4. Domestic Accommodation;
- 9.1.5. Credit Cards;
- 9.1.6. Sponsorships, events and catering;
- 9.1.7. Communication;
- 9.1.8. Conferences, meetings and study tours; and
- 9.1.9. Other related expenditure items.

10. USE OF CONSULTANTS

10.1. The prescripts and limitations set out in Regulations 5(1) to 5(9) apply, read together with the MFMA, the SCM Regulations and the City's Supply Chain Management ('SCM') Policy.

10.2. Regulation 5 does not prohibit the use of consultants but requires that before the services of consultants are procured, the need thereof must be assessed against the available internal capacity for the specific services required.

10.2.1. The criteria for such assessment is contained in the Consultant Assessment to be completed.

10.2.2. The practice of procuring consultants on a percentage fee is not permitted.

10.2.3. The Consultant Assessment Form is to be attached to the Bid Initiation Form and submitted to SCM.

10.3. To give effect to regulation 5(1) the following must be addressed in the request for the appointment of consultants:

- 10.3.1. whether there are legislative requirements for consultants to be appointed;
- 10.3.2. whether the specialised consultant skills are not ordinarily required (day-to-day operations) by the City;



- 10.3.3. whether it is necessary to maintain these skills in-house i.e. does a skills transfer programme apply or is the demand a once-off or on a temporary basis (including an intermittent service);
- 10.3.4. the urgency, in terms of time-based demands, example statutory reporting deadlines and / or specialist's skillsets not part of the skillset of the fulltime City employee resources, and should be detailed in the SCM specification; and
- 10.3.5. The remuneration framework, as adopted by the accounting officer, must include remuneration guidelines, appropriate for the consulting services being procured, determined by bodies such as those contained in the following non-exhaustive list:
 - 10.3.5.1. Auditor-General of South Africa (AGSA);
 - 10.3.5.2. Department of Public Service and Administration (DPSA);
 - 10.3.5.3. Any applicable regulatory body; or
 - 10.3.5.4. Any other applicable body, institution, research institution etc.
- 10.4. It is always advisable to negotiate lower rates than the maximum.
- 10.5. In respect of the centralised provision for uncommitted consultants provided for within Rates/Tariff Funded services per vote or sub-vote as determined by the Budgets department, the following will apply:
 - 10.5.1. To access this provision, a covering report (with financial implications), for approval by the respective Executive Director, must be drafted to include, inter alia, the following:
 - 10.5.1.1. the Consultant Assessment (referred to above); and
 - 10.5.1.2. the funding required.
- 10.6. Once approved, a virement must be prepared to transfer the funds to the requesting function's budget within the Vote or Sub-vote.
- 10.7. Each Directorate must develop and maintain a consultancy reduction plan to reduce the reliance on consultants.

11. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 11.1. The prescripts and limitations set out in Regulations 6(1) to 6(6) covering the conditions and purchases of vehicles used for political office-bearers, read together with other related City Policies such as the Fleet Management Policy, must be duly considered by the Director: Fleet Management before procuring such vehicles.
- 11.2. As part of demand management, market research must first be conducted taking into account the National Government transversal contract and must use the transversal contract mechanism to procure vehicles in order to realise the actual cost savings already negotiated under the contract if this is the cheaper option after all associated costs have been taken into account (the most cost effective option must be exercised)
- 11.3. In addition, consideration must be given to the City's Fleet Management – Procurement Strategy, including service and maintenance options and requirements for fleet workshop demand management.



12. TRAVEL AND SUBSISTENCE

- 12.1. The prescripts and limitations set out in Regulations 7(1) to 7(7) apply, read together with the following:
 - 12.1.1. The City's Travel Management Policy sets out the cost containment measures relating to travel and subsistence within the City.
 - 12.1.2. The City's delegations and related report templates for travel requests.
- 12.2. Despite the provisions of regulation 7(6)(c) officials travelling in groups of five or more may hire a larger vehicle than allowed for in Group B as this would be more cost effective.
- 12.3. Employees can accept upgraded group of hired vehicles if such an upgrade is offered with no extra charge or at a lower charge than a Group B vehicle.
- 12.4. To avoid unnecessary travelling and subsistence costs, telephone and video conferencing facilities must be used, where possible.
- 12.5. International travel must be identified and motivated with justification that the meeting / event is critical and in the interest of the City.

13. DOMESTIC ACCOMMODATION

- 13.1. The prescripts and limitations set out in Regulations 8(1) to 8(2) apply, read together with the following:
 - 13.1.1. The City's Travel Management Policy sets out the cost containment measures relating to domestic accommodation within the City.
 - 13.1.2. The City's delegations and related report templates for travel.
- 13.2. The relevant delegated authority may approve accommodation costs that exceed an amount as determined from time to time by National Treasury under the following circumstances -
 - 13.2.1. during peak holiday periods, or
 - 13.2.2. when major local or international events are hosted in that particular geographical area resulting in an abnormal increase in the number of local/international guests in that particular geographical area.
- 13.3. Subject to clause 13.4 overnight accommodation may only be booked where the total travel (return trip) exceeds 500 kilometers.
- 13.4. When an event exceeds one day and where the travel does not exceed 500 kilometers per day, the delegated authority may authorise overnight accommodation, should such alternative result in the most suitable (reasonableness applies) outcome for the attendee.

14. CREDIT CARDS

The City will not issue any credit cards, except for the travel office to be utilised for travel arrangements.



15. SPONSORSHIPS, EVENTS & CATERING

15.1. The prescripts and limitations set out in Regulations 10(1) to 10(7) apply, read with:

- 15.1.1. The City's Attendance of Seminars, External Meetings, Workshops and Conferences System and Procedure;
- 15.1.2. The City's Catering and Beverage Provision Policy;
- 15.1.3. Sponsorships clause in the SCM Policy;
- 15.1.4. Entertainment and Gift Giving Policy or specific directives to this effect;
- 15.1.5. Council delegations, relevant report templates for travel and City forms; and
- 15.1.6. S&P: Auxiliary Costs: Compassion and Farewell Tokens / Gifts and Farewell Catering

15.2. Catering

- 15.2.1. Catering expenses shall require prior approval.
- 15.2.2. Regulation 10(1) does not apply to any meeting that will be attended by an external person(s).
- 15.2.3. Regulation 10(2) finds application in the following instances:
 - 15.2.3.1. Council
 - 15.2.3.2. Meetings in preparation for Council
 - 15.2.3.3. Caucus meetings
 - 15.2.3.4. Portfolio Committee meetings are not included in Regulation 10(2).
- 15.2.4. In terms of Regulation 10(2) the duration of the meeting will be a determining factor, i.e. exceeding 5 hours.
- 15.2.5. Regulation 10(2) applies to meetings hosted by the accounting officer.
- 15.2.6. Meetings must, where possible, be structured in such a way that catering is not required.
- 15.2.7. For catering not included in the above the City's SCM processes will apply.
- 15.2.8. Corporate branded items, at the expense of the City, shall only be permitted if the use thereof is an integral part of the City's business model.

15.3. Events & Sponsorships

- 15.3.1. Expenditure to host farewell functions in recognition of officials who retire after serving the City for twenty or more years or retire on grounds of ill health will be in line with the S&P: Auxiliary Costs: Compassion and Farewell Tokens / Gifts and Farewell Catering.



16. COMMUNICATION

- 16.1. The prescripts and limitations set out in Regulations 11(1) to 11(4) apply.
- 16.2. When placing adverts, the City will as far as possible only use newspapers with a readership base predominantly in the City's geographical area and focus on newspapers targeted at the communities.
- 16.3. The advertisement must be in single colour as far as possible.
- 16.4. Despite Regulation 11(3), newspaper and other related publications will be available where it is the most effective and efficient format in the interest of the reader, based on personal professional preference / needs.

17. CONFERENCES, MEETINGS AND STUDY TOURS

- 17.1. The prescripts and limitations set out in Regulations 12(1) to 12(10) apply, read with
 - 17.1.1. The City's Attendance of Seminars, External Meetings, Workshops and Conferences System and Procedure; and
 - 17.1.2. The Travel Management Policy.
- 17.2. The City's Attendance of Seminars, External Meetings, Workshops and Conferences System and Procedure sets out the cost containment measures relating to conferences, meetings and study tours.
- 17.3. The following shall apply to conferences and events attendance requests, where attendance is in person or via virtual means:
 - 17.3.1. Regulation 12 does not apply to training/conferences or workshops where Continuing Professional Development (CPD) points are earned, however for such training / conferences or workshops due care must be taken to ensure costs are kept at a minimum and staff rotation occurs;
 - 17.3.2. Early bird registration discount must be considered. If an early bird discount opportunity has been missed, reasons for missing it must be included in the request;
 - 17.3.3. The total cost of attendance by officials may not exceed three times the amount determined in 17.3.8 below;
 - 17.3.4. The total cost for attendance by politicians may not exceed three times the amount determined in 17.3.8 below;
 - 17.3.5. The role and responsibility of each attendee, including the possibility of attendee rotational opportunities, provided it is cost effective;
 - 17.3.6. All attendees, including rotational attendees, must be included in the report and the report should emphasise the value gained by the opportunity of multiple attendees;
 - 17.3.7. The attendee costs of a conference must be reasonable based on benchmarking (similar conferences) costs and will incorporate continuous professional development attendance needs and is the discretion of the delegated authority;



- 17.3.8. The benchmark cost for attendance of conferences is currently two thousand five hundred rand (R2 500) per person, including attendance by virtual means; This amount will be amended as and when prescribed by National Treasury.
- 17.3.9. Should the cost exceed the costs determined in terms of clause 17.3.8, the accounting officer may approve attendance of officials and the Executive Mayor for councilors after considering the benefit to the City;
- 17.3.10. The report requesting approval to attend the conference, meeting or study tour must include appropriate benchmarking motivations (a comparison of previous similar professional bodies to be attached to the report to the delegated authority);
- 17.3.11. Conferences, workshops, meetings etc. via webinars or any other virtual platform shall be approved by the relevant Executive Director; and
- 17.3.12. Where attendance of conferences, workshops and meetings via virtual means costs less than the amount determined in 17.3.8, then more officials and politicians may attend provided that the –
 - a) total cost for attendance by officials does not exceed three times the amount determined in 17.3.8;
 - b) total cost for attendance by politicians does not exceed three times the amount determined in 17.3.8; and
 - c) operational impact is managed in terms of exigency of service.
- 17.4 To avoid unnecessary logistical costs, telephone and video conferencing facilities must be used, where possible.

18. OTHER RELATED EXPENDITURE ITEMS

- 18.1. The prescripts and limitations set out in Regulations 13(1) to 13(7) apply, read with:
 - 18.1.1. The City's Overtime and Payment for Work on Sundays and Public Holidays System and Procedure;
 - 18.1.2. The City's SCM Policy;
 - 18.1.3. The Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998);
 - 18.1.4. Asset Management Policy; and
 - 18.1.5. SALGA Labour Relations Act Discipline System and Procedure.
- 18.2. To curb overtime costs line managers must assess overtime and pursue the option of permanent shift coverage in areas where frequent/excessive overtime costs are incurred.

19. MONITORING MEASURES

Each Executive Director must put monitoring measures in place to ensure that the cost containment measures are strictly adhered to in their respective directorates.



20. ENFORCEMENT PROCEDURES

- 20.1. Failure to implement or comply with this Policy may result in the accounting officer, any official, councillor or political office-bearer that has authorised or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the Act read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.
- 20.2. Consequence measures will be applied in accordance with the City's Consequence Management Policy read with clause 23 of this Policy.

21. DISCLOSURES OF COST CONTAINMENT MEASURES

- 21.1. The disclosure of annual costs savings will be included in the Integrated Annual Report.
- 21.2. The quarterly reporting of the measures implemented and aggregate amounts saved per quarter, reprioritisation of cost savings and implementation of the cost containment measures will included in the MFMA Section 52 report prepared by the Budgets department and will be submitted to the Financial Portfolio Committee, the Executive Mayor together with the Mayoral Committee and Council.
- 21.3. The report referred to in clause 21.2 will be copied to National- and Provincial Treasury within seven calendar days after the report is submitted to Council.

22. IMPLEMENTATION

The accounting officer is to communicate this Policy for application in the City to ensure adherence with the reporting procedures and requirements.

23. CONSEQUENCES FOR NON-ADHERENCE TO THE COST CONTAINMENT MEASURES

- 23.1. Any person must report an allegation of non-compliance with this Policy to the accounting officer.
- 23.2. The accounting officer must consider the allegations and determine whether to investigate same.
- 23.3. If the accounting officer determines the allegations are of a serious nature, a full investigation must be conducted by a relevant body as determined by the accounting officer.
- 23.4. After completion of a full investigation, by the relevant body a report on the investigation outcome must be compiled and submitted to the accounting officer on:
 - 23.4.1. findings and recommendations; and
 - 23.4.2. whether disciplinary steps should be taken against the alleged transgressor.
- 23.5. The accounting officer must table the report with recommendations to the Council.
- 23.6. Subject to the outcome of the Council decision the accounting officer must implement the recommendations.



24. REVIEW PROCESS

24.1. This Policy will be reviewed at least annually, alongside the budget approval process, or when required by way of Council resolution, or when an update is issued by National Treasury.

24.2. Such a review will consider -

- 24.2.1. any new/revised cost containment measures that should be applied;
 - 24.2.2. quantum of cost containment achieved;
 - 24.2.3. any impact of cost containment on service delivery;
 - 24.2.4. material outcomes of non-compliance investigations; and
 - 24.2.5. alignment with other related policies of council.
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