



**HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD**  
[REG. No: 2011/001221/07]

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**POLICY: COST CONTAINMENT MEASURES**

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<b>Administrative Responsibility:</b>	Chief Executive Officer
<b>Implementing Department / Departmental Unit</b>	Budget and Treasury Office

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**“CEO”** shall mean the Chief Executive Officer of the Harry Gwala Development Agency (Pty) Ltd

**“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.

**“cost containment”** means measures implemented to curtail spending;

**“Meeting”** shall mean any meeting of the board or any board sub-committees (portfolio committee) as well as any other General meeting meeting of the entity including meetings of Council, irrespective of the duration of such meeting.

**“MFMA”** shall mean the Municipal Finance Management Act 56 of 2003, as may be amended from time to time

**“MSA”** shall mean the Municipal Systems Act 32 of 2000, as amended from time to time

**“Non-Executive Director”** shall mean a non-executive director of the Agency appointed in terms of section 93E of the Municipal Systems Act, 32 of 2000, and

## **2. COST CONTAINMENT MEASURES**

- 2.1. The national government has been aware of the need to contain costs and Cabinet resolved that all spheres of government, including municipalities and municipal entities must implement measures to contain operational costs and eliminate all non-essential expenditure. These can then be re-prioritized to address service delivery backlogs.
- 2.2. In the 2016 State of the Nation Address, cost containment measures were re-emphasized. It was highlighted that excessive and wasteful expenditure has to be reduced, and that increased action be taken to manage unnecessary expenditure.
- 2.3. In implementing the above, the Minister of Finance also announced cost containment measures in his budget speech on 24 February 2016 and issued a circular 97, and urged Mayors of municipalities to exercise and oversee the elimination of wasteful expenditure in government.
- 2.4. Municipalities and municipal entities are advised to ensure appropriate monitoring and reporting on such cost saving measures is instituted for ease of reporting to management and board on progress on a regular basis. The internal audit unit of municipalities must be copied with such reports.

In the spirit of transparency, the Office of the Chief Procurement Officer is taking a firm position on rebates, overrides or any volume driven target incentives being paid by suppliers to Travel Management Companies (TMC). As of 1 April 2016, these payments and the practice of overrides are to discontinue for Government business. The National Treasury has issued the National Travel Policy framework which can be used for municipalities and municipal entities.

#### **4. AIR TRAVEL**

4.1. The National Treasury has negotiated with South African Airways (SAA) and Comair/British Airways (BA) for upfront discounted air fares for government employees, 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).

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4.2. For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.

4.3. For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceeds 5 hours, consideration may be applied.

4.4. The premise of "Best Fare on the Day" should be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA Comair. Quotations are to be obtained from at least SAA and BA Comair before issue. Municipalities and municipal entities must also request quotations from other Low-Cost Carriers. Please note that all discounted rates are subject to class availability.

4.5. In order to make full use of the corporate discount with SAA and BA, municipalities and municipal entities must instruct their appointed TMCs or persons making their bookings for domestic airline tickets, to book against the relevant deal codes.

4.6. Corporate agreements with SAA and BA/Comair will be made available to TMCs that are currently contracted to Government. Should the municipal TMC have not been contacted by the full service carrier representative, they are to inform National Treasury with the agent's name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full-service carriers will ensure that the TMC is given access to the deal code. The TMC must have an authenticated IATA number.

4.7. Accounting officers of municipalities and municipal entities are advised to include a clause in their respective documents that travel agencies are only permitted to make booking arrangements on behalf of municipalities and municipal entities in line with the MCCR, 2019 read together with this Circular. Current arrangements need to be updated and amended to reflect these changes.

- 6.1.6. Undermine efforts to safeguard municipal funds, combat fraud and corruption, as well as other irregular practices. While the use of petrol cards or garage cards for entity vehicles is permitted, it must be utilized in accordance with an appropriate policy and related procedures to avoid misuse thereof. Cost containment measures should be applied in managing and planning trips.
- 6.1.7. Where officials or board members incur expenses in relation to official municipal entity's activities, they can use their personal credit cards or cash, and request reimbursement from the entity in accordance with the relevant municipal entity policy and processes. Alternatively, the municipal entity should make arrangements with the service provider that the expenditure be settled directly by the entity.

## **7. SPONSORSHIPS, EVENTS AND CATERING**

- 7.1. Regulation 10 requires municipalities and municipal entities to only incur catering expenses in instances where meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of board meetings exceed five hours. The regulation therefore does not prohibit the incurrence of catering expenses; however, the duration of the meeting will be the determining factor.
- 7.2. The regulation also prohibits municipalities and municipal entities from incurring expenditure on alcoholic beverages, unless such expense is recovered from the sale of such beverages. This practice has previously been abused. Municipalities and municipal entities must be guided by their objectives, including where the purchase of alcoholic beverages is part of the business model, and whether expenditure on alcoholic beverage is in terms of achieving those objectives. Reference to petty cash in the regulations must be understood to mean limits set in entity's policies.
- 7.3. Municipal entities often incur expenditure on social events, team building exercises, year-end functions, sporting events or budget vote dinners using municipal entity funds. The regulation does not prohibit these activities but prohibits the funding of such activities using municipal entity funds or it being funded by any suppliers or sponsors. The regulation must be read together with regulation 38 of the SCM Regulations which deals with the combating of abuse of the SCM system when it comes to suppliers or sponsors.

## **8. COMMUNICATION**

- 8.1. Regulation 11 do not prohibit the publication in newspapers as there are legislative provisions which require municipalities and municipal entities to advertise certain processes in newspapers. This includes public participation processes.
- 8.2. There are certain geographical areas where internet connectivity is problematic hence the regulation includes the phrase "as far as possible". The discretion is still with the municipalities and municipal entities taking into account principles of cost containment. The regulation prohibits the purchase of newspapers unless this is required for professional purposes and where unavailable in electronic format. Therefore, municipalities and municipal entities may purchase newspapers where it is required for

cost containment measures outlined in the MCCR. Municipalities and municipal entities are required to utilise existing reporting requirements, to report internally and externally on cost saving measures. This include reporting such savings in the Annual Report. Refer to Annexure D for a template on quarterly reporting and the annual report. Municipalities must also ensure that there is consistency between its own policies as the parent municipality and that of its entities.

- 11.3. It is also requested that the measures implemented are captured in quarterly reports submitted to the Municipal Public Accounts Committee and Mayor for review and recommendations to Council on additional measures to be taken. The contents of this Circular have been shared with the office of the Auditor-General for their application, scrutiny and assessment.

## ANNEXURE A:

**Table 1: Rates set for Domestic Hotel Accommodation**

Table 1: Rates set for BAND 1		BAND 2	BAND
Room Only		Bed & Breakfast	Dinner, Bed and
Tourism Levy		Tourism Levy	Tourism Levy
VAT		VAT	VAT
2 x soft Drinks at Dinner			
<b>Graded Hotel, Boutique Hotel, Lodge or Resort</b>			
BAND 1		BAND 2	BAND
1 Star	R 590	R 730	R 855
2 Star	R 920	R 1 050	R 1
3 Star	R 1 120	R 1 230	R 1
4 Star	R 1 275	R 1 380	R 1
5 Star	R 2 140	R 2 250	R 2
<b>Bed &amp; Breakfast, Country House or Guest house</b>			
BAND 1		BAND 2	BAND 3
1 Star	R 3350	R 495	R 630
2 Star	R 510	R 670	R 830
3 Star	R 920	R 1 080	R 1
4 Star	R 1 020	R 1 180	R 1
5 Star	R 1 225	R 1 385	R 1
<b>Self-Catering*</b>			
BAND 1		BAND 2	BAND 3
1 Star	R 590		
2 Star	R 920		
3 Star	R 1 120		
4 Star	R 1 275		
5 Star	R 1 475		