

**ILEMBE DISTRICT MUNICIPALITY**  
**(“the Municipality”)**



**2019-2020**

**Policy on Austerity Measures**

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## 1. DEFINITIONS AND ABBREVIATIONS

### 1.1. DEFINITIONS

“Accounting Officer” A person appointed in terms of section 82(1) (a) or (b) of the Municipal Structures Act; and also refers to the municipal manager of the municipality in terms of section 60 of the MFMA.

“CFO” means the Chief Financial Officer of the ILembe District Municipality, a person designated in terms of section 80(2)(a) of the Local Government: Municipal Finance Management Act, 56 of 2003.

“GRAP” means the Generally Recognised Accounting Standards.

“Municipal Manager” means a person appointed as the Accounting Officer of the Municipality.

“Municipality” means ILembe District Municipality.

“Austerity Measures” refer to official actions taken by the government entity, during a period of adverse economic conditions, to bring its expenditures in line with revenues generated using a combination of spending cuts and/or cost saving initiatives;

“Municipality” iLembe District Municipality

“IDP” Integrated Development Plan.

## **1.2. ABBREVIATIONS**

SCM	Supply Chain Management
CFO	Chief Financial Officer

## **2. OBJECTIVES OF THE POLICY**

- 2.1 The underlying objective of this *Policy* is to prescribe cost containment measures for iLembe District Municipality in line with Treasury Instruction 01 of 2013/14.
- 2.2 To give effect and regulate cost containment measures (austerity measures) in terms of expenditure incurred by the municipality in the process of carrying out Council business and discharging its duties for purposes of service delivery, taking into account that:

Limited resources should be used effectively, efficiently and in accordance with the approved budget as well as any relevant financial policy as determined by the financial regulations for local authorities and guidelines by the Financial Management of the iLembe District Municipality.

Given the economic problem of scarcity, it is imperative that resources be applied effectively and efficiently to achieve economic and social objectives. The global economic crisis has resulted in the contraction of many economies and in this regard, South Africa has also adopted measures to ensure fiscal prudence

## **3. STRATEGIC PRIORITY AREAS (INTENT)**

- 3.1 The strategic priority areas of the District Municipality are enshrined in the District Municipality's Integrated Development Plan (IDP) and are categorized into six pillars.
- 3.2 These pillars are namely, Creating Sustainable Livelihood, Socially Cohesive District Municipality, A Financially Sustainable District Municipality, Creating a Safer District

Municipality, Promoting an Accessible District Municipality and Environmentally Sustainable District Municipality.

- 3.3 This policy supports the Financially Sustainable District Municipality pillar to maximize the Municipality's financial resources by ensuring long-term financial viability and sustainability, thus improving service delivery and giving impetus to the District Municipality's vision of being "A world class destination, with excellent service and quality of life for its people" by 2027.

#### **4. DESIRED OUTCOMES**

- 4.1 The primary desired outcome of this policy is to ensure that the municipality complies with section 62(1) of the Municipal Finance Management Act read in conjunction with section 65 (1), the accounting officer of a municipality is responsible for managing the financial administration as well as the management of the expenditure of the municipality, and must for this purpose take all reasonable steps to ensure:
- (a) that the resources of the municipality are used effectively, efficiently and economically;
  - (b) that the municipality's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework.

#### **5. PURPOSE**

- 5.1 The purpose of this policy is to prescribe a process to be followed in implementing the austerity measures in the municipality in line with Treasury Instruction 01 of 2013/14 which directs that, prime amongst other things:

Accounting Officers must ensure that appropriate expenditure control measures are instituted to provide reasonable assurance that all expenditure incurred by municipalities is necessary, appropriate, paid promptly, recorded adequately and reported accordingly in the relevant accountability instruments.

## 6. SCOPE OF THE POLICY

6.1 As directed by the Treasury Instruction 01 of 2013/14, it is mandatory that all government departments, constitutional institutions and public entities (including municipalities) implement the cost containment measures referred to in paragraph 4 of the Treasury Instruction.

6.2 This policy is in line with the above mentioned Treasury Instruction and applies to iLembe District Municipality.

## 7. POLICY PROVISIONS

### **IMPLEMENTATION OF COST CONTAINMENT MEASURES IN LINE WITH TREASURY INSTRUCTION 01 OF 2013/14**

#### **Engagement of consultants**

7.1 The municipality may only contract consultants after a gap analysis has confirmed that the municipality does not have the requisite skills or resources in its full time employ to perform the assignment in question. Based on a business case, the appointment of consultants may only be approved by the accounting officer.

7.2 Consultants may only be remunerated at the rates:

- (a) determined in the "Guideline for fees", issued by the South African Institute of Chartered Accountants (SAICA);
- (b) set out in the "Guide on Hourly Fee Rates for Consultants", by the Department of Public Service and Administration (DPSA); or
- (c) prescribed by the body regulating the profession of the consultant.

7.3 Hotel accommodation and related costs in respect of consultants may not exceed the amount prescribed in paragraph 4.15 of the *Treasury Instruction 01 of 2013/14*. Air travel must be restricted to economy class and claims for kilometres may not exceed the rates approved by the Automobile Association of South Africa (AA).

7.4 All contracts of consultants must include penalty clauses for poor performance and in this regard, accounting officers and accounting authorities must invoke such clauses where deemed necessary.

- 7.5 In line with Treasury Instruction 01 of 2013/14, the municipality must develop consultancy reduction plans by 31 March of each year for implementation in the ensuing financial year. The first consultancy reduction plan required in terms of this *Policy* must be developed before 31 March 2016 for implementation in the 2016/2017 financial year.

### **Travel and Subsistence**

- 7.6 The municipality may only purchase economy class tickets for its employees where the flying time for their flights is for five (5) hours or less.
- 7.7 For flights exceeding five (5) hours, business class tickets may only be purchased for the Mayor, the Deputy Mayor, the Speaker or members of Executive Committee (EXCO).
- 7.8 Notwithstanding the provisions of paragraphs 7.6 and 7.7 of this *Policy*, the accounting officer may approve the purchase of business class tickets for employees with disabilities or for those with special needs.
- 7.9 Notwithstanding the provisions of paragraph 7.8 of this *Policy*, the purchase of business class tickets for flights that are less than five (5) hours shall be limited to the Mayor, the Deputy Mayor, the Speaker or members of the Executive Committee (EXCO).
- 7.10 The municipality may not, under any circumstances, purchase air tickets for first class travel.
- 7.11 Domestic hotel accommodation may not exceed one thousand three hundred rand (R1 300) per night per person (including dinner, breakfast and parking). The National Treasury may periodically review this amount.
- 7.12 Accounting Officer may only approve accommodation costs that exceed the amount prescribed in paragraph 7.11 of this *Policy*:
- (a) during peak holiday periods; and
  - (b) when South Africa is hosting an event in the country or in a particular geographical area that results in an abnormal increase in the number of local and/or international guests in the country or in that particular geographical area.
- 7.13 The municipality may not hire vehicles from a category higher than Group B or an equivalent class.

- 7.14 Where a different class of vehicle is required for a particular terrain or to cater for the special needs of an employee, such a vehicle may only be hired with the prior written approval of the Accounting Officer.
- 7.15 The provisions contained in paragraphs 7.11, 7.12, 7.13 and 7.14 of this *Policy* are also applicable to members of Council with the exception of the Mayor, the Deputy Mayor and the Speaker.
- 7.16 The number of employees travelling on Council business for the same matter and where there are financial implications in terms of car hire shall be limited to such a number as will be accommodated in one vehicle, unless otherwise approved in advance by the Accounting Officer.
- 7.17 Similar to paragraph 7.16 of this *Policy*, the number of employees travelling by air to other centres to attend official engagements on the same matter shall be limited to three (3) employees, unless otherwise approved in advance by the Accounting Officer.
- 7.18 No municipal employee may extend or approve extension of services in respect of either car hire, hotel accommodation or air travel with prior written consent of the Accounting Officer.

### **Expenses related to catering and events**

- 7.19 The municipality may not incur catering expenses for internal meetings, i.e. for meetings attended only by persons in its employ, unless approved by the Accounting Officer.
- 7.20 The municipality may not incur expenses on alcoholic beverages except for instances where alcohol is to be served at functions relating to:
- (a) state banquets;
  - (b) the promotion of South Africa and any of its goods or services; or
  - (c) the hosting of foreign dignitaries.
- 7.21 The Accounting Officer must ensure that team building exercises and social functions, including year-end functions, are not financed from the budget of the municipality.



## **Arrangements related to debit and credit cards**

- 7.22 The municipality may only operate debit and credit cards in accordance with arrangements set out in Government Gazette No. 37042 dated 15 November 2013.

## **8. CONTRADICTION WITH OTHER POLICY DOCUMENTS**

- 8.1 Where any form of contradiction occurs between this policy and any other municipal policy or regulation, to the extent that provisions of this policy are not in any way in contravention with any legislation, provisions of this policy shall supersede such other municipal policy or regulation.

## **9. DEVIATIONS FROM THIS POLICY**

- 9.1 Requests for deviations from provisions of this Policy may be considered upon written requests to the Accounting Officer, who, as the case may be, may also need to consult with the Director General, National Treasury for purposes of seeking relaxation of a particular policy provision /s.

## **10. POLICY ADOPTION**

This Policy has been considered and approved by the Council of ILembe District Municipality in ..... 2018.

## **ANNEXURE A**

### **ADDITIONAL COST CONTAINMENT MEASURES FOR CONSIDERATION BY THE MUNICIPALITY**

#### **General**

The Expenditure Management Committee of iLembe District Municipality, established to ensure that the resources required to fulfill the service delivery needs identified in the Integrated Development Plan (IDP) of the municipality are delivered at the correct time, price and place and that the quantity and quality will satisfy those needs as well as to maintain a healthy cash flow including monitoring of budget, will, on an ongoing basis, advise the Accounting Officer and the council on pertinent issues surrounding expenditure management and the status of cash flow position of the municipality.

The structure, modus operandi, authority and powers of the Expenditure Management Committee shall be regulated in terms of the adopted terms of reference of this committee.

Approval of expenditure shall be undertaken in accordance with Annexure B "EXEMPTED EXPENDITURE" which is annexed to this policy.

#### **Other Matters**

##### **Travel and Subsistence**

1. Trips by vehicles (including use of municipal fleet) must be optimised to reduce costs. To the extent possible, any usage of municipal fleet must be in line with pre-approved work plan and such plan must be reconciled on a periodic basis and any deviations from the planned travel should be reported to the Expenditure Management Committee and MANCO in the form of discrepancies for corrective measures to be instituted against the defaulting parties.
2. Motor vehicle travel claims must be restricted to the actual distance travelled in excess of the normal distance from the employee's residence to his or her place of work. Claimable kilometers travelled shall be calculated from the employee's residence or his/her place of work, which ever constitutes the actual distance travelled.

3. International travel must be limited to meetings or events that are considered absolutely critical and the number of employees attending such meetings or events must be limited to those employees that are directly involved in the subject matter related to such meetings or events.
4. At least three quotations must be obtained for all accommodation.
5. Corporate air miles accumulated through loyalty programmes must be used to acquire air tickets.
6. Overnight accommodation must be limited to instances where the distance by road exceeds 500 kilometers to and from the destination (return journey).
7. Claims for meals must be prohibited if the hotel rate already includes dinner and/or breakfast or if the conference fee includes lunch and/or dinner.
8. To the extent feasible, air travel must be properly planned to ensure that restricted airline tickets are used as opposed to the more expensive flexible tickets.

### Employee Related Costs

#### Where possible and practical:

9. Payment of overtime must be curbed to a bare minimum
10. Leave encashment be suspended and only considered for approval under extreme, emergency cases (severity of each case shall be considered by the Expenditure Management Committee on its own merit).
11. Leave encashment in lieu of long service awards to be negotiated with employees and where practical to be taken as annual leave.

### Inventory

12. Bulk purchases should be considered for regularly consumed inventory. Measures must be taken to ensure that unnecessary wastages and/or water losses are minimised.
13. Supplier and early settlement discounts must be negotiated to secure lower prices.
14. Corporate branded items availed to employees must be recovered at least at full cost.

15. Production costs related to publications must be minimised for example, by limiting the number of photographs, paying due attention to the quality of paper and giving consideration to the number of copies printed.
16. Savings on the amount of paper used must be considered by printing draft documents 'back to back' and by using colour printing facilities prudently.
17. The use of electronic mail (email) must be encouraged instead of postage, hand book diaries, etc.
18. All newspapers and other publications for employees should be discontinued. In instances where the municipality has an existing contract for the supply and delivery of newspapers or other publications, such contracts should not be renewed.
19. Consideration should be given to purchasing software licenses through the State Information Technology Agency (SITA) to leverage economies of scale and preferential rates.
20. Stringent measures must be implemented to ensure tight control of purchase of and issue of stores materials for purposes of maintenance of infrastructure, etc. To the extent possible, such purchases and issues should be authorised by senior personnel (i.e. at the level of Line Managers and above).

#### Water and Electricity

21. The prudent use of water and electricity must be encouraged to lower utility costs.

#### Communication and Printing Costs

22. Allowances to employees for private calls must be limited to a reasonable value.
23. Reasonable steps must also be taken to minimise telephone costs are kept to a bear minimum.
24. Printing of material which otherwise is readily available in electronic format must at all times be discouraged. To this end, circulation of agendas for various meetings must be converted into electronic media as opposed to hard copies of printouts.
25. The allocation of cellular phones and data facilities to employees must be based on the nature of their work as opposed to the positions they hold.
26. Telephone and/or video conferencing facilities must be used, where possible, to avoid unnecessary travel and subsistence costs.

27. To the extent possible, usage of branded materials e.g. diaries, calendars and flyers must be minimised. Where circumstances compel that this expenditure be incurred, such may only be done after obtaining prior approval of the Accounting Officer.

#### Refreshments

28. Reasonable steps must be taken to ensure that costs in respect of groceries, and general staff refreshments are minimised. This take into account provision for snacks and drinks for personal use or entertainment purposes.

#### Advertising

29. Advertisements for vacancies and tender notices should be placed through bulk advertisements. To the extent possible, the specification content of advertised material should be provided in detail on the municipality's website of the department.

#### Financial assets

30. Every effort must be made to recover debts from debtors before giving any consideration to writing off those debts.

#### Hiring of venues

31. Meetings and planning sessions must, as far as practically possible, be held in-house. In instances where such sessions cannot be held in-house, alternate facilities at other government institutions must be sought.

#### Miscellaneous measures

32. There should be synergy between similar business activities to avoid duplication of processes and efforts.
33. Labour saving devices should be shared within the establishment to optimize the capacity utilization of each device.
34. Warranties on motor vehicles and computer equipment should, where possible, be extended for reasonable periods instead of procuring new motor vehicles and computer equipment.

35. Purchasing of new furniture and equipment and office refurbishments should only be undertaken where absolutely necessary.
36. Caution should be exercised in the selection of training service providers by ensuring that courses attended by employees are of sufficient quality to derive value for money. E-Learning methods should be considered for in-house training.
37. Where possible, transversal contracts must be used for the procurement of goods or services.

## **ANNEXURE B**

### **EXEMPTED EXPENDITURE**

Only the following items of expenditure will be considered as exempted. The procedure for approving incurring of any expenditure other than items contained in the list below is that a request with motivation to incur such expenditure will need to be submitted through the Expenditure Management Committee. The Expenditure Management Committee will, after considering merits of each case, apply its own discretion whether or not such a request warrants approving. In the cases of emergency and where it is impractical and/or impossible for the Expenditure Management Committee to convene a special meeting, the chairperson of the Committee is empowered to take decisions on behalf of the Committee and to have such decisions ratified in the following Committee meeting.

List of exempted items of expenditure:

- **MAINSTREAM OPERATIONS**
  - Pump Repairs & Maintenance (critical failures)
  - Reticulation Maintenance (critical failures)
  - Sewerage services
  - Water / Sewer treatment
  - Disaster related (fatal incidents)
  - Drought related expenditure
  - Fuel & Oil
  - Electrical Repairs & Maintenance (hindering operations/endangering human lives)
  
- **ESSENTIAL MONTHLY OBLIGATIONS**
  - Telephone/Cellphone Bills
  - Electricity Bills

- Purchase of Bulk Water
- Computer / ICT Support Services
- Leases (both rental of Fax and Photocopiers as well as vehicles)
- Postage – Delivery of Consumer Statements
- Security Costs
- Cleaning Services (Sanitary)
- Lease of vehicles

- OTHER

- Loan Redemption Costs and payment of related Interest Charges
- Short Term Insurance
- Payments in respect of ongoing projects / contracts
- Grant funded expenditure
- Self-funded projects
- Any other statutory obligations