**Inkosi Langalibalele Municipality**



**Cost Containment Strategy As per Circular 82 Issued by National Treasury (MFMA, 56 of 2003)**

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**1. INTRODUCTION**

In the current economic world it is crucial for the organization to develop a strategy to minimize cost and achieve the desired results of the organization at the end.

Improved accountability and transparency can be realized through more proactive and regular reporting of both cost containment activities and the results generated. The issues for concentration could be but not limited to, security cost, cost of hiring equipment, catering cost, use of council vehicles, energy management, travel, and accommodation, events, advertising and sponsorships, conferences and meetings, office furnishing, staff and councillors study .

Consultation with employees and also obtaining input from all affected stakeholders (business, ratepayers, etc.) can be beneficial to cost containment plan.

Although some of the many saving measures have been implemented over years, it will assist to revisit them with the intention to improve.

Proper planning also may assist the municipality to contain cost.

**2. COST SAVING COMMITEEE**

* 1. Each business unit must create a cost saving committee or cost saving must be a standing item on the agenda of monthly meeting of each business unit.
	2. Increase accountability and evaluation of all cost saving planning measures must be communicated to all staff members.
	3. Staff should be encouraged to come up with ideas and if the idea is implemented and cost saving is being realized, the employee who came up with the idea be formally recognized in the form of an incentive.
	4. A suggestion box must be placed in all major council offices for staff and the public to post their ideas on the box or an e-mail address be created where any staff member or member of the public can send their ideas.
	5. Advertising of best and most successful initiative in municipal website and through corporate can be effective communication tool.
	6. Implementation of the resolutions of the Interim Finance Committee as appointed by Council.

**3. AREAS OF COST CONTAINMENT**

* 1. **Facilities**
		1. As far as possible encourages the use of council facilities for community meetings and staff meetings. This will mean a reduction in cost of hiring venues for meetings.
		2. A study be undertaken to compare cost of hiring marquees versus cost of purchasing marquees in the long run.
		3. List of available council facilities for meetings be provided on council website for staff to know and book the facility with the responsible person.
		4. Cease all non-essential and non-routine maintenance unless there are health and safety issues concerns.
	2. **Security Costs**
		1. Fully utilize internal security staff to secure council property and fill all vacant positions for the unit to be effective.
		2. Review the need for security personnel in council facilities during the day and at night. In some facilities an alarm system can be at night (at low cost) and a security guard during the day.
		3. Periodic or quarterly threat assessments against councillors and key officials be undertaken by the appropriate authority (SAPS).
		4. Municipal Manager, Senior Managers and other municipal officials be allocated at least one (1) bodyguard if need arise.
		5. Security sites be reviewed.
		6. Office bearer’s personal security guards be in line with the Council resolution.
	3. **Cost of Hiring Vehicles, Plant and Equipment**
		1. Council spent lot of money hiring plant/equipment and sound system.
		2. Encourage use of own fleet where viable prior to hiring vehicles, plant and equipment.
		3. Encourage the hiring of vehicles from a category below Group B
		4. Fleet must develop a register of items that are hired to monitor cost and identify those items that are hired on a regular basis. A plan be developed to acquire these items within 5 years.
		5. Review cost of hiring compared to cost of purchasing and owning the equipment in the long term.
		6. Buying own vehicle using state tender there by phasing out leasing of vehicle.
	4. **Catering Costs**
		1. Minimize catering for meetings and consider providing light meal where possible with the intention to reduce cost.
		2. No catering expenses for any meetings where only municipal officials are in attendance. Notwithstanding the above, the Accounting Officer may incur catering expenses for the following, provided that such lasts for five (5) continuous hours or more:
1. The hosting of conferences, workshops, courses, forums, recruitment interviews, training courses, hearings;
2. Meetings related to commissions or committees of enquiry;
3. Meetings hosted by municipal councils and the board of directors of municipal entities, including governance committee meetings.
	* 1. All catering requests to be submitted to Departmental Directors for consideration and approval, subject to availability of funds.
		2. No expenses on alcoholic beverages.
		3. Ensure that team building and social functions, including year-end functions are not financed from municipal budget.
		4. Notwithstanding the above, Accounting Officer may incur not more than the petty cash allocation or limitations on expenditure from their respective budgets to host farewell functions to employees who are either:
4. Proceeding on retirement due to ill health, or
5. Proceeding on retirement after reaching the qualifying age limit of a minimum of ten (10) or more years working for the public service.
	* 1. Accounting Officer may not host farewell functions for employees who have:
6. Been dismissed;
7. Elected to resign or leave by accepting severance packages;
8. Approached the end of their contractual term.
	1. **Use of Council Vehicles**
		1. All employees who enjoy the benefit of taking council vehicle home after work must complete authority form signed by the relevant Head of Department authorizing that the vehicle will be parked outside the municipal designated parking.
		2. All employees must fill in trip authority form authorized by Head of Department, log sheet with description of place, kilometre travelled, petrol/diesel slips used, toll gates slips, oil slips, etc.
		3. Monthly monitoring of petrol usage
		4. Installation of fleet management system.
		5. Regular testing of the municipal drivers.
		6. A vehicle replacement programme must be developed to ensure that ageing fleet that is not cost effective to repair is replaced on time.
		7. Employees that cause damage to council vehicle must be investigated and if found negligent disciplinary action must be taken and cost of repair be recovered from the employee.
		8. Proper maintenance of fleet and where possible extend the warranties on vehicles and office equipment. Fleet must keep a register of repairs to vehicles and where costs to repair are more than net book value, step to auction the vehicle in terms of council policy must be taken.
		9. Development of expenditure control sheet for each vehicle.
		10. Traffic officers to assist by inspecting municipal vehicles to verify trip authority and if not found, vehicle to be pounded and disciplinary action be taken against the defaulting driver.
		11. Appointment of the disposal committee to consider monthly reports on ageing fleet.
	2. **Energy Management**
		1. Install motion lights or timers in all council buildings.
		2. Install individual lights switches in each office instead of central controlled lights.
		3. Encourage staff to turn off electric equipment in offices when not in use or after work.
	3. **Stationery and other office materials**
		1. Reduce the use of paper when communicating rather use electronic medium.
		2. Agendas and Minutes to be distributed electronically.
		3. Encourage council staff to receive their municipal bill via e-mail and phase this to the general public starting with businesses.
		4. Use double sided copying, recycled paper etc.
		5. Review and introduce limits on municipal staff telephones and limiting private calls to a reasonable account by applying pin codes to everyone.
	4. **Overtime**
		1. Encourage staff to take time off in lieu of overtime worked.
		2. Implementation of the pre-authorization form of the overtime signed by the Head of Department.
		3. Overtime claims be limited to the approved hours as per the collective agreement.
		4. All planned overtime for each business unit for the month must be submitted to Management Committee for consideration and must be properly quantified.
		5. Implementation of the fixed stand by allowance and do away with overtime for emergency services section.
		6. Review of contracts for emergency employees to accommodate shift works.
		7. Explore the option of vehicle subsidy for traffic officer.
		8. Unplanned overtime must be reported to Management Committee monthly with reasons for working overtime.
	5. **Review Business Process**
		1. Review all business process with the intention to eliminate duplication of functions.
		2. Combine business units or departments where there is duplication of functions to save time.
		3. This will eliminate bottlenecks in the system.
		4. Look at productivity of current staff members, work being undertaken by two people may be easily undertaken by one employee.
	6. **Consider Ring fencing Trading Services**
		1. Electricity and refuse are trading services and they are supposed to break even or make a profit.
	7. **Travel and Entertainment**
		1. Eliminate or reduce unnecessary long distance business travel or their numbers.
		2. Set travel ban where applicable.
		3. Use teleconferencing to participate in meeting rather than travelling.
		4. Eliminate travel at pick times when fares are expensive.
		5. Use of National Treasury negotiated agreements for travel and accommodations
		6. Review the travel agent contract to include a clause that will enforce them to make bookings in line with Circular 82.
	8. **Events, Advertising and Sponsorship**
		1. Eliminates wasteful expenditure on events, advertising in magazines, televisions, newspapers, radio stations etc. where municipality can use other cost effective means such as websites, notice boards to market the institution or properly publicise the matters or events under consideration.
		2. Memorabilia, gifts and other novelties should be of token value only and be offered to acknowledge support or a visit or attendance by dignitaries.
		3. Limitation of all unnecessary expenditure on matters such as printing of shirts, hosting of sporting events, festivals and other associated events, and extraordinary costs associated with visits of dignitaries.
	9. **Conference, meetings, study tours, etc.**

3.13.1 Municipal employees may attend conferences hosted by professional bodies or governmental institutions (external conferences) held within the borders of South Africa provided that expenses related to their attendance do not exceed two thousand five hundred rand (2500) per person per day. In instances where the cost exceeds this amount officials must obtain prior approval from the accounting officer. The number of municipal officials attending such conferences and workshops must be limited.

3.13.2 Employees must make every effort to take advantage of early registration discounts by seeking the required approvals to attend well in advance of the conference as it relates to their area of work. No late registration is acceptable

3.13.3 Conferences abroad must be limited to its ultimate minimum or none at all.

3.13.4 Utilise municipal and/or provincial office facilities for conferences, meetings, strategic planning sessions etc. Where an appropriate venue exists within the municipal jurisdiction.

3.13.5 Limit or stop overseas trips and delegations going on such trips unless a tangible and clear benefit to the local community and performance of essential service provision can be established beforehand.

3.13.6 The number of employees travelling to conferences or meetings on official duty for the same matter to be limited to three (3) employees, unless otherwise approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

3.13.7 Similar to the above, the number of employees travelling by air to other centres to attend an official engagement on the same matter is also to be limited to three (3) employees, unless approved in advance by the relevant accounting officer, having due regard to the cost containment measures.

**3.14 Office furnishing**

**3.14.1** Municipality will exercise due precaution in refurbing offices, purchasing equipment, etc, especially when new persons are elected or appointed. Use of existing facilities and equipment will be first preference.

3.14.2 Office furnishing, when required, should be contained to minimal costs, avoiding elaborate and expensive furniture or equipment.

**3.15 Staff study, perks and suspension costs**

3.15.1 Training attended by employees and councillors may only be attended at pre-approved service providers to ensure sufficient quality of training and obtain value for money.

3.15.2 Expenditure associated with overseas study tours by councillors or officials must be reduced and preferably stopped.

3.15.3 Costs associated with long-standing staff suspensions and legal costs associated with long-standing staff suspensions and legal costs associated with not following due processes when suspending and dismissing staff must be eliminated.

3.15.4 Constant management of staff, improvements in productivity levels and feedback must be provided to all staff.

The strategy must be reviewed on a regular basis based on agreed input from all stakeholders