



MAKHADO LOCAL MUNICIPALITY

COST CONTAINMENT

POLICY, 2026/27

(Council Resolution A.46.28.05.26)

Vision: A dynamic hub for socio-economic development by 2050

Mission: To ensure effective utilization of economic resources to address socio-economic imperatives through mining, agriculture and tourism

Values

1. Distinctiveness (Uniqueness, Excellence)
2. Progressiveness (Open Minded)
3. Dynamic (Energetic, Lively, Self-Motivated)
4. Culpability (Accountability and Responsibility)
5. Efficacy (Effectiveness and Efficiency)
6. Adeptness (Expertise and Proficiency)

Seven (7) Strategic Objectives

1. Promote Community Participation and Environmental Welfare
2. Invest In Local Economy
3. Advance Spatial Planning
4. Invest in Human Capital
5. Good Governance and Administrative Excellence
6. Sound Financial Management and Viability
7. Accessible Basic and Infrastructure Services

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1. **DEFINITIONS**

“*Act*” means the local government: Municipal finance management act, 2003 (Act no.56 of 2003)

“*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 the municipality to achieve its objectives of local government in terms of section 152 of the Constitution.

“*cost containment*” means the measures implemented to curtail spending in terms of this policy.

“*Credit card*” means a card issued by a financial service provider, which creates a revolving account and grants a line of credit to the cardholder.

“*Municipality*” means Makhado Local Municipality

2. **PURPOSE OF THE POLICY**

The purpose of the policy is to regulate spending and to implement cost containment measures at Makhado Local Municipality

3. **OBJECTIVES OF THE POLICY**

The objectives of this policy are to:

- 3.1 To ensure that the resources of the municipality are used effectively, efficiently and economically;
- 3.2 To implement cost containment measures.

4. **SCOPE OF THE POLICY**

This policy will apply to all:

- 4.1 Councilors’; and
- 4.2 Municipal employees.

5. **LEGISLATIVE FRAMEWORK**

This policy must be read in conjunction with the -

- 5.1 The Municipal Finance Management Act, Circular 82, published on 7 December 2016;
- 5.2 Municipal Cost Containment Regulations, 2019;

6. **POLICY PRINCIPLES**

This policy will apply to the procurement of the following goods and/or services:

- (i) Use of consultants

- (ii) Vehicles used for political office-bearers
- (iii) Travel and subsistence
- (iv) Domestic accommodation
- (v) Credit cards
- (vi) Sponsorships, events and catering
- (vii) Communication
- (viii) Conferences, meetings and study tours
- (ix) Any other related expenditure items

7. USE OF CONSULTANTS

- 7.1 Consultants may only be appointed if an assessment of the needs and requirements has been conducted to support the requirement of the use of consultants.
- 7.2 The assessment referred to in 7.1 must confirm that Makhado Local municipality does not have requisite skills or resources in its full time employ to perform the function that the consultant will carry out.
- 7.3 When consultants are appointed the following should be included in the Service Level Agreements:
- (i) Consultants should be appointed on a time and cost basis that has specific start and end dates;
 - (ii) Consultants should be appointed on an output-specified basis, specifying deliverables and the associated remuneration;
 - (iii) Ensure that cost ceilings are included to specify the contract price as well travel and subsistence disbursements and whether the contract price is inclusive or exclusive of travel and subsistence disbursement; and
 - (iv) All engagements with consultants should be undertaken in accordance with the municipality's supply chain management policy.
 - (v) Ensure the transfer of skills by consultants to the relevant officials of the municipality
- 7.4 Consultancy reduction plans should be developed.
- 7.5 All contracts with consultants must include a retention fee or a penalty clause for poor performance.
- 7.6 The specifications and performance of the service provider must be used as a monitoring tool for the work that is to be undertaken and performance must be appropriately recorded and monitored.
- 7.7 The travel and subsistence costs of the consultants must be in accordance with the national department of transport, as updated from time to time.
- 7.8 The contract price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contracts price, such costs must be reimbursed in accordance with the national travel policy of the national department of transport.

8. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 8.1 The threshold limit for vehicle purchases relating to official use by political office-bearers may not exceed seven hundred thousand rand (R700 000) or 70% of the total annual remuneration package for the different grades, whichever is lower.

- 8.2 The procurement of vehicles must be undertaken using the national government transversal mechanism, unless it may be procured at a lower cost through other procurement mechanisms.
- 8.3 If any other procurement process is used, the cost may not exceed the threshold set out in 8.1.
- 8.4 Before deciding on another procurement process as in 8.2, the Accounting officer must provide the council with information relating to the following criteria that must be considered:
- (i) Status of current vehicles
 - (ii) Affordability of options including whether to procure a vehicle as compared to rental, hire thereof, provided that the most cost effective option is followed and cost is equivalent to or lower than that contemplated in sub-policy 8.1
 - (iii) Extent of service delivery
 - (iv) Terrain for effective usage of vehicle
 - (v) Any other policy of council
- 8.5 If the rental referred to in sub- policy 8.4 is preferred, The accounting officer must review the cost incurred regularly to ensure that value of money is obtained.
- 8.6 Regardless of their usage, vehicles for official use by public office bearers may only be replaced after completion of 120 000 kilometers.
- 8.7 Notwithstanding 8.5, a municipality may replace vehicles for official use by public office bearers before the completion of 120 000 kilometers only in instances where the vehicle experiences serious mechanical problems and is in a poor condition, and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 8.8 The accounting officer must ensure that MLM has a policy that addresses the use of municipal vehicles for official purposes.

9. TRAVEL & SUBSISTENCE

- 9.1 An accounting officer:
- (i) May only approve the purchase of economy class tickets for officials where the flying time for a flight is five (5) hours or less; and
 - (ii) For flights that exceed five (5) hours of flying time, may purchase business class tickets *only* for accounting officers, other officials, political office bearers, and persons reporting directly to accounting officers.
- 9.2 Notwithstanding 9.1, an accounting officer or the Mayor in the case of the accounting officer may approve the purchase of business class tickets for an official or political office bearers with disability or medically certified condition.
- 9.3 Notwithstanding 9.1, an accounting officer or the Mayor in the case of the accounting officer may approve the purchase of business class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

- 9.4 International travel to meetings or events will only be approved if it is considered critical to attend the meeting or event, and only the officials that are directly involved with the subject matter will be allowed to attend the meeting or event.
- 9.5 The accounting officer or the mayor in the case of the accounting officer, may approve accommodation costs that exceed an amount as determined from time to time by the national treasury through notice only
- a) During peak hours, 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 geographic area
- 9.6 Officials or public office bearers of the municipality must:
- (i) Utilize the municipal fleet, where viable, before incurring costs to hire vehicles;
 - (ii) Make use of available public transport or shuttle service if the cost of such a service provider is lower than:
 - the cost of hiring a vehicle;
 - the cost of kilometers claimable by the employee; and
 - the cost of parking.
 - (iii) not hire vehicles from a category higher than Group B; or an equivalent class and
 - (iv) 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.
- 9.7 The municipality must use the negotiated rates for flights and accommodation as communicated by National Treasury, from time to time, or any other cheaper flight or accommodation that is available.

10. DOMESTIC ACCOMMODATION

- 10.1 An 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 by National Treasury, from time to time by national treasury through a notice.
- 10.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometers. Overnight accommodation may be booked where the return trip is less than 500 kilometers, The following are applicable instances
- In instances where attendance is required over a number of days, or there is a risk to the health of the official or councilor.

11. CREDIT CARDS

- 11.1 An 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 public office-bearer.
- 11.2 Where officials or public office bearers incur expenditure in relation to official municipal activities, such officials and public office bearers must use their personal credit cards or cash, and will request reimbursement from the municipality in terms of the travel and subsistence policy and petty cash policy.

12. SPONSORSHIPS, EVENTS & CATERING

- 12.1 The municipality may not incur catering expenses for meetings that are only attended by persons in the employ of the municipality, unless prior written approval is obtained from the accounting officer.
- 12.2 Catering expenses may be incurred by the accounting officer for the following, if they exceed five (5) hours:
- (i) Hosting of meetings;
 - (ii) Conferences;
 - (iii) Workshops;
 - (iv) Courses;
 - (v) Forums;
 - (vi) Recruitment interviews; and
 - (vii) Council proceedings
- 12.3 Entertainment allowances of officials may not exceed two thousand rand (R2 000, 00) per person per financial year, unless otherwise approved by the accounting officer.
- 12.4 Expenses may not be incurred on alcoholic beverages.
- 12.5 Social functions, team building exercises, year-end functions, sporting events, budget speech dinners and other functions that have a social element must not be financed from the municipal budget or by any supplier or sponsors.
- 12.6 Expenditure may not be incurred on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade, unless the costs thereto are recovered from the affected officials as an integral part of the business model.
- 12.7 Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the municipality for ten (10) or more years, or retire on grounds of ill health; the expenditure should not exceed the limits of the petty cash usage as per the petty cash policy of the municipality.

13. COMMUNICATION

- 13.1 All municipal related events must, as far as possible, be advertised on the municipal website, instead of advertising in magazines or newspapers.
- 13.2 The accounting officer must ensure that allowances to officials for private call and data costs are limited to an amount as determined by the accounting officer.
- 13.3 Newspapers and other related publications for the use of officials must be discontinued on the expiry of existing contracts or supply orders.
- 13.4 The acquisition of mobile communication services must be done by using the transversal term contracts that have been arranged by the National Treasury.
- 13.5 An allowance for officials for private calls is limited to R40,00 per month per official.

14. CONFERENCES, MEETINGS & STUDY TOURS

- 14.1 Appropriate benchmark costs must be considered prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 14.2 The benchmark costs may not exceed an amount determined by National Treasury.
- 14.3 When considering applications from officials to conferences or events within and outside the borders of South Africa, the accounting officer must take the following into account:
- (i) The officials role and responsibilities and the anticipated benefits of the conference or event;
 - (ii) Whether the conference or event will address the relevant concerns of the municipality;
 - (iii) The appropriate number of officials to attend the conference or event, not exceeding three officials; and
 - (iv) Availability of funds to meet expenses related to the conference or event.
- 14.4 The amount referred to in 14.2 above excludes costs related to travel, accommodation and related expenses, but includes:
- (i) Conference or event registration expenses; and
 - (ii) Any other expense incurred in relation to the conference or event.
- 14.5 When considering the cost for conferences or events the following items must be excluded, laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 14.6 Meetings and planning sessions that entail the use of municipal funds must, as far as practically possible, be held in-house.
- 14.7 Municipal offices and facilities must be utilized for conferences, meetings and strategic planning sessions where an appropriate venue exists within the municipal jurisdiction.
- 14.8 The municipality must take advantage of early registration discounts by granting the required approvals to attend the conference, event or study tour, in advance.
- 14.9 The accounting officer must grant the approval for officials and in the case of political office bearers and the accounting officer, the mayor as contemplated in sub-policy 14.3.

15. OTHER RELATED EXPENDITURE ITEMS

- 15.1 All commodities, services and products covered by a transversal contract by the National Treasury must be procured through that transversal contract before approaching the market, in order to benefit from savings and lower prices or rates that have already been negotiated.
- 15.2 Municipal resources may not be used to fund elections, campaign activities, including the provision of food, printing of agendas and brochures, clothing and other inducements as part of, or during the election periods, or to fund any activities of any political party at any time.
- 15.3 Expenditure on tool of trade for political office bearers must be limited to the upper limit as approved and published by the cabinet member responsible for local government in terms of the remuneration of public office bearers Act, 1998.

- 15.4 The municipality must avoid expenditure on elaborate and expensive office furniture.
- 15.5 The municipality may only use the service of the South African police service to conduct periodical or quarterly security threat assessment of political office bearers and key officials and a report must be submitted to the speaker office.
- 15.6 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 Accounting Officer.
- 15.7 The municipality will ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation cost.

16. ENFORCEMENT PROCEDURES

Failure to implement or comply with this policy may result in any official of the municipality or political office bearer that has authorized or incurred any expenditure contrary to those stipulated herein being held liable for financial misconduct as set out in Chapter 15 of the MFMA.

17. DISCLOSURES OF COST CONTAINMENT MEASURES

- 17.1 Cost containment measures applied by the municipality must be included in the municipal in-year budget report and annual cost savings must be disclosed in the annual report.
- 17.2 The measures implemented and aggregate amounts saved per quarter, together with the regular reports on reprioritization of cost savings, on the implementation of the cost containment measures must be submitted 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.
- 17.3 Such reports must be copied to the National Treasury and relevant provincial treasuries within seven calendar days after the report is submitted to municipal council.

18. IMPLEMENTATION & REVIEW PROCESS

This policy will be reviewed at least annually or when required by way of a council resolution, or when an update is issued by National Treasury and becomes effective on 1 July 2026.

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

- 19.1 Any person must report an allegation of non-compliance to the cost containment policy to the accounting officer of the municipality.
- 19.2 The accounting officer must investigate the allegations and if frivolous, speculative or unfounded, terminate the investigations.
- 19.3 If the accounting officer determines the allegations are founded, a full investigation must be conducted by the disciplinary board.
- 19.4 After completion of a full investigation, the disciplinary board must compile a report on

the investigations and submit a report to the accounting officer on:

- Findings and recommendations; and/or
- Whether disciplinary steps should be taken against the alleged transgressor.

19.5 The accounting officer must table the report with recommendations to the municipal council.

19.6 Subject to the outcome of the council decision the accounting officer must implement the recommendations.

20. SHORT TITLE

This policy shall be called the Cost Containment Policy, 2026/2027 of the Makhado Local Municipality.

AUTHORIZED BY SIGNATURE

I, THE UNDERSIGNED, CLLR GT MUKWEVHO MITILENI, SPEAKER, HEREBY CERTIFY THAT THIS COST CONTAINMENT POLICY, 2026/27 IS AN EXTRACT AS FILED IN THE OFFICIAL AGENDA OF THE 640th EXECUTIVE COMMITTEE MEETING HELD ON 26 MAY 2026 AND APPROVED BY COUNCIL AT ITS 194th SPECIAL MEETING HELD ON 28 MAY 2026 UNDER COUNCIL RESOLUTION A.46.28.05.26.

Mukwevho T
CLLR GT MUKWEVHO MITILENI

29/05/2026
DATE