



uthukela
water

COST CONTAINMENT POLICY

1. **PREAMBLE**

The objective of this policy is to ensure that the resources of uThukela Water (Pty) Ltd are used effectively, efficiently and economically by implementing cost containment measures in accordance with the provisions of the regulatory frameworks.

uThukela Water must revise and implement a cost containment policy which is approved the Board of directors as part of its budget related policies, which is consistent with the Act and Regulations.

The cost containment policy must:

- i. Be in writing;
- ii. Be reviewed annually, and as may be appropriate;
- iii. Be communicated on the website; and
- iv. set out measures for ensuring implementation of the policy, procedures for the annual review of the policy; and consequences for non-adherence to the measures contained herein.
- v. This policy applies to all officials and board members of the entity any stakeholders dealing with the entity.

2. **DEFINITIONS**

A word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, unless the context indicates otherwise, and

“Act” means the Local Government: Municipal Finance Management Act, 2003 (Act 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 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;

“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

3. **USE OF CONSULTANTS**

- 3.1 Prior procurement of consultants, the need assessment shall be undertaken by the responsible department.
- 3.2 Should the need assessment report depicts the purported need, the accounting officer shall approve procurement thereof, whereafter, consultants may only be appointed for, subject to predetermined contractual conditions, not limited to, the contract amount and duration.

- 3.3 The Managing Director must adopt a fair and reasonable remuneration framework for consultants (such as the AGSA hourly rates; guide on hourly fee rates for consultants; Fees of the regulating body for its members)
- 3.4 The tender document for the appointment of consultants must include a clause that the remuneration rates will be subject to negotiation, not exceeding the applicable rates mentioned in sub-paragraph (3.3) herein.
- 3.5 When negotiating cost -effective consultancy rates for international consultants the, accounting officer may take into the account the relevant international rates and market to determine rates.
- 3.6 The accounting officer must -
- a) appoint consultants on a time and cost basis with specific start and end dates;
 - b) where practical, appoint consultants on output-specified basis, subject to specific measurable objectives and associated remuneration.
 - c) ensure that contracts with consultants include overall cost ceilings by specifying whether the contract price is inclusive or exclusive of travel and subsistence, disbursements, and contingences.
 - d) enhance the transfer of skills by consultants to the relevant officials of the entity.
 - e) undertake all engagements of consultants in accordance with Municipal Supply Chain Management Regulations, 2005 and uThukela Water Supply Chain Management Policy.
 - f) develop a consultancy reduction plan to prevent reliance on consultants.
- 3.7 Where applicable, contracts with consultants must include a fee retention or penalty clause for poor performance.
- 3.8 uThukela Water must, where applicable, ensure that the specifications and performance scorecards are used as monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
- 3.9 The contract price must specify all travel and subsistence costs and, if the travel and subsistence costs for appointed consultant are excluded from the contract price, such costs must be reimbursed in accordance with the national travel policy of the National Department of Transport.

4. TRAVEL AND SUBSISTENCE

- 4.1. The travel and subsistence policy must be in compliance with the National Treasury prescriptions on travel and subsistence.
- 4.2. Where the entity utilises the services of an outsourced travel agent, it (the agent) must be registered on National Treasury's Central Supplier Database in the context of National Treasury Circular 65.
- 4.3. The Managing director may approve the purchase of economy class tickets for members of the board and officials where the flying time for the flights is five hours or less; and may only approve the purchase of business class tickets for members of the board and officials for flights exceeding five hours.

- 4.4. In the case of the Managing Director, the board chairperson may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.
- 4.5. Notwithstanding clauses 4.3 and 4.4, the Managing Director, or the chairperson of the board in the case of a Managing Director, may approve the purchase of business class tickets for an official or a member of the board with a disability or a medically certified condition.
- 4.6. The International travel shall only be allowed for critical meetings and events, and in such a case, the number of board members and officials attending must be limited to those directly involved in the subject matter related to such meetings or event.
- 4.7. The board members or officials must make use of the shuttle service if the cost of such service is lower than the cost of hiring a vehicle; the cost of kilometers claimable by the employee; and the cost of parking.
- 4.8. Vehicles may not be hired from a category higher than group B or an equivalent class, and where a different class is required, a written approval must be sought from the Managing Director prior hiring of the vehicle.
- 4.9. The entity must utilise the negotiated rates for flights and accommodation communicated by the National Treasury, from time to time, or any other cheaper available flight and accommodation.

5. CREDIT AND DEBIT CARDS

- 5.1. uThukela Water shall not utilise credit or debit cards for all board members and officials.

6. SPONSORSHIPS, EVENTS AND CATERING COST

- 6.1. The entity may not incur catering expenses for meetings which are only attended by persons in the employ of the entity, unless the prior written approval of the Managing director is obtained.
- 6.2. The Managing Director may incur catering expenses for the hosting of meetings, conferences, workshops, courses, forums, recruitment interviews, and proceedings of the entity that exceed five hours.
- 6.3. No year-end functions will be held at either entity's cost or time.
- 6.4. All physical meetings, including shareholders' meetings, must be held within the operational jurisdiction of the entity.
- 6.5. Notwithstanding gifts purchased in the context of employee wellness programme, uThukela water may not incur cost for any form of a gift.
- 6.6. All refreshments budgets are capped at R2 000.00 per financial year for the board chairperson, managing director, and managers reporting directly to the Managing Director.
- 6.7. Expenditure may be incurred to host farewell functions in recognition of officials who retire after serving the entity for ten or more years or retire on grounds of ill health, not exceeding the limits for petty cash usage.

- 6.8. No expenditure may be incurred on alcoholic beverages or any other intoxicating substances.
- 6.9. No expenditure may be incurred on corporate branded items like clothing or goods for personal use by officials, other than uniforms, office supplies and tools of trade, unless costs related thereto are recovered from affected officials.
- 6.10. The entity may incur cost for light meals for board and shareholders engagements.

7. COMMUNICATION

- 7.1. The entity must as far as possible, advertise its events and publish information on its website and in local newspapers.
- 7.2. No newspaper subscription is permitted.
- 7.3. Where feasible, uThukela Water must use the National Treasury transversal contract on mobile communication services.

8. DOMESTIC ACCOMMODATION / CONFERENCES, MEETINGS AND STUDY TOURS

- 8.1. Conferences must only be attended if hosted by the government and recognized professional bodies.
- 8.2. Delegations must be limited to no more than 5 officials per conference, unless approved otherwise by the Managing Director.
- 8.3. The Managing Director must ensure that meetings and planning sessions are, as far as may be practically possible, held in-house.
- 8.4. Government facilities must be utilised for conferences, meetings, strategic planning sessions, inter alia, where an appropriate venue exists within the I entity jurisdiction.
- 8.5. The Managing Director must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates as communicated by the National Treasury, from time to time.
- 8.6. Accommodation must only be booked where the return trip exceeds 500 kilometres, unless the circumstances make such a limitation impractical, in which case, the approval of the Managing Director will be required.

9. OTHER RELATED EXPENDITURE ITEMS

- 9.1. Office furnishings – The budget for furniture must be approved by the Board and only where new positions are created, or where furniture is damaged, new furniture be procured.
- 9.2. Old furniture must be repaired and re-upholstered where possible to further reduce the cost of new furniture.
- 9.3. Staff study, perks and academic suspension costs must be repaid in circumstances where employees they do not pass their exams.
- 9.4. NT transversal contracts must be used insofar as practically possible.
- 9.5. Printing must be minimised and meeting agendas must, as far as possible, be circulated electronically.
- 9.6. Energy saving measures must be applied to the facilities of the entity.

- 9.7. The entity's resources may not be used to fund elections, campaign activities, including the provision of food, clothing and other inducements as part of, or during election periods.
- 9.8. The entity must avoid expensive and elaborate office furniture.

10. ENFORCEMENT PROCEDURES

- 10.1. Failure to implement or comply with this policy may result in any official or director of the board that authorised or incurred any expenditure contrary to these regulations 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.

11. DISCLOSURE OF COST CONTAINMENT MEASURES

- 11.1. The disclosure of cost containment measures applied by the entity must be included in the entity's in-year budget reports and annual cost savings disclosed in the annual report.

10. COMMENCEMENT AND REVIEWAL

- 10.1. This policy will commence on the date of approval by the board of directors and will be reviewed annually.